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A life of sex, food and violence

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY DECEMBER 17 1993 — D8523A

EU faces row over share-out of industrial aid

A row is brewing in the European Union over the share-out between the 12 member states of structural aid for industrially depressed, high unemployment regions. The UK and France, which are bidding for very large slices of an Ecu30bn ($34bn) cake, have been asked to submit more reasonable bids. If they do not, the Commission will be obliged to decide for them. Page 20

Rescue for Grundig plant: Welsh company Gooding Consumer Electronics is to rescue a television plant in eastern France where Grundig, the German consumer electronics manufacturer, had planned to stop production at the end of the year. Page 20

Development bank criticised: The Council of Europe's Social Fund for aiding refugees evolved into a substantial investor in international money markets and provided lavish rewards for its staff, according to accountants Castel Jacquet Ernst & Young. Last orders at movable feast, Page 19

Matav bidding hots up: Deutsche Telekom, the German state-owned telecommunications company, and Stet International, its Italian counterpart, were battling for the 30 per cent of Hungarian operator Matav on sale in eastern Europe's biggest privatisation. Page 21

US defence secretary named: Bill Clinton named retired admiral Bobby Ray Inman to be the next US defence secretary, after the resignation of Les Aspin. Page 20, Defence problems outlast Aspin, Page 8

Ulster hopes kept alive: Hopes of peace in Northern Ireland were kept alive when Sinn Féin, the IRA's political wing, said it would consider in detail its response to this week's peace initiative by Mr John Major and Mr Albert Reynolds. Page 9; Joe Rogaly, Page 18

Credito Italiano: Shares in Italy's seventh biggest bank fell on the first day's trading after share allocations to thousands of retail investors had to be scaled back because of heavy demand in the country's first mass privatisation. Page 21; World stocks, Section II

Patten rebuffed on secret HK talks

A special report in today's FT tells the story of the attempt by Mr Chris Patten, Hong Kong's governor, to win China's agreement to faster democracy in the colony, based on interviews with Mr Patten and with Chinese and British officials. It reveals that before arriving in Hong Kong last year Mr Patten was rebuffed in an attempt to open a secret channel of communication to Beijing. Failure of the talks has left in doubt Hong Kong's smooth transition to Chinese sovereignty in 1997. Sino-British impasse, Page 6; Editorial Comment, Page 19

PLO peace warning: A senior member of the Palestine Liberation Organisation Yassir Abed Rabbo warned the peace process would be frozen if Israel did not allow Palestinians to control border crossing points in the Gaza Strip and Jericho after Israeli troops withdraw. Page 7

M&G: Shares in the fund management group jumped 30p to 995p as it announced a 36 per cent increase in its final dividend for the year to September 30. Page 21; Lex, Page 20

Recognition for Macedonia: Six European Union member-states – Germany, France, Britain, Italy, the Netherlands and Denmark – said they were establishing full diplomatic relations with Macedonia, despite strong Greek opposition. Page 3

'Complex causes' for Airbus crash: A report into last year's Airbus A320 crash in eastern France in which 87 people died blamed a "complex chain of causes" and made more than 30 recommendations. Page 2

Inter-Continental Hotels, owned by the Japanese Saison group, is to split its management operations and property activities into two separate companies at the start of next year. Page 21

S Korean cabinet resigns: Lee Hoi-chang was named as South Korea's new prime minister after the cabinet resigned due to a controversy over rice imports. Page 7

Fiji president dies: Fijian President Ratu Sir Penaia Ganilau died while undergoing treatment in the US for a blood disorder. He was 75.

■ STOCK MARKET INDICES

FT-SE 100:	3311.2	(+32.4)
Yield	3.56	
FT-SE Eurotrack 100	1407.56	(+2.16)
FT-A All-Share	1628.57	(+1.0%)
Nikkei	17,789.28	(+300.13)
New York lunchtime:		
Dow Jones Ind Ave	3716.64	(-0.28)
S&P Composite	462.67	(+0.83)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.085%
Long Bond	99⅝
Yield	6.296%

■ LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Dec 120⅝	(Dec 119⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$13.78	(13.79)

■ Gold

New York Comex (Dec)	$385.9	(387.4)
London	$388.3	(385)

■ STERLING

New York lunchtime:		
$	1.48825	
London:		
$	1.488	(1.4835)
DM	2.545	(same)
FFr	8.6925	(8.6975)
SFr	2.1725	(2.175)
Y	163.5	(162.75)
£ Index	81.6	(81.5)

■ DOLLAR

New York lunchtime:		
DM	1.70785	
FFr	5.844	
SFr	1.461	
Y	109.725	
London:		
DM	1.7085	(1.716)
FFr	5.8375	(5.8625)
SFr	1.4595	(1.4655)
Y	109.75	(109.65)
$ Index	67.0	(67.1)
Tokyo close Y 109.87		

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft165	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00		
Czech Rp	CZK45	Israel	Shk6.50	Norway	NKr16.00	Spain	Pta210		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20		
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 32,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000		
						UAE	Dh11.00		

Gore criticises IMF over plight of Russia's jobless

By John Lloyd in Moscow

Mr Al Gore, the US vice president, criticised the International Monetary Fund yesterday for insensitivity to the plight of the unemployed in Russia, foreshadowing a possible shift in Western policy on helping the country's economy.

Mr Gore said the effect of huge cuts to the defence budgets in communities dependent on defence production had been "devastating". His comments echoed those made by Russian centrists opposed to rapid reforms.

He criticised Western countries for not waking up to Russia's problems. "Every country with representatives on the IMF board has been slow to recognise the hardship caused by some of what has been done in the past. That may cause a diplomatic incident, but I don't care".

The IMF was supposed to grant at least $3bn in the current year to assist reform in Russia. Only $1.5bn has been given and there are doubts about whether the second tranche will be released.

The IMF has consistently complained that successive Russian governments have been unable to meet the fund's basic criteria – curtailing the budget deficit and bringing inflation down to 5 per cent a month. Meeting these criteria would mean choking off credits to already shaky Russian enterprises, devastating the industrial heartland and causing mass unemployment.

Mr Gore said that "in circumstances where there is a great deal of economic suffering and when the world does not pay too much attention to that, then people become vulnerable to demagoguery". The remarks were endorsed by Mr Viktor Chernomyrdin, the Russian prime minister. Mr Chernomyrdin said it was in the defence industries where "the highest intellectual strength is concentrated, and we cannot shut them down. We must retain them, and not lose jobs there".

The vice president's remarks come after the neo-fascist Liberal Democratic party swept the board in Sunday's election in that part of parliament chosen according to party lists. Senior international financial officials now believe the strategies followed by the Group of Seven advanced industrial countries in promoting aid to Russia will change – most of all because a new government will be forced to rein back the speed of reforms.

However, President Boris Yeltsin was determined to "stick firmly to democratic reforms", according to Mr Anatoly Krasikov, a senior presidential spokesman, last night.

As counting continued, the liberal Russia's Choice was confirmed as major party, but a grouping opposed to reform remained the majority bloc. With 26 seats still uncounted, Russia's Choice (according to the daily Sevodnya) has 93 seats, the Liberal Democrats 71, the Communists 67, Agrarians 48, Yabloko 32, Party of Unity and Accord 26, Women for Russia 25, Democratic Party 21 and independents and others 41.

Between extremes, Page 3
Editorial Comment, Page 19

Unions win control of United Airlines for $5bn pay cuts

By Richard Tomkins in New York

United Airlines, the biggest US carrier, has reached a deal with its labour unions that would give employees a controlling stake in the company in return for $5bn worth of wage cuts and productivity improvements over the next six years.

The deal will send a shockwave through the US airline industry. Other big carriers will be forced to reach similar agreements with their unions or risk going out of business because of their uncompetitive costs.

United has been negotiating with its unions for nearly six months in an attempt to bring labour costs down. Like other big US carriers, it has suffered severe competition on domestic routes from smaller, low-cost carriers like the Texas-based Southwest Airlines.

The company had threatened to cut losses by contracting out all its servicing and maintenance activities and divesting its short-haul operations to newly-formed non-union subsidiaries if no agreement was reached. That plan will now be abandoned.

Instead, 60,000 of United's 82,000 employees will accept wage cuts, reductions in benefits and changes in working practices that will produce savings over the next six years with a net present value of $5bn. In return, they will receive new ordinary shares worth $173 each in a recapitalised United, which will be held in employee stock ownership plans, known as Esops.

The size of their stake will be between 53 per cent and 63 per cent, depending on the value of United's existing shares at the time the transaction takes place. United will compensate its present shareholders for the dilution of their equity by giving them one new share plus $88 worth of cash, preferred stock and interest-bearing loan notes for every existing share they hold.

The existing shares fell $2¼ to $146¼ yesterday amid uncertainty over the value of the deal.

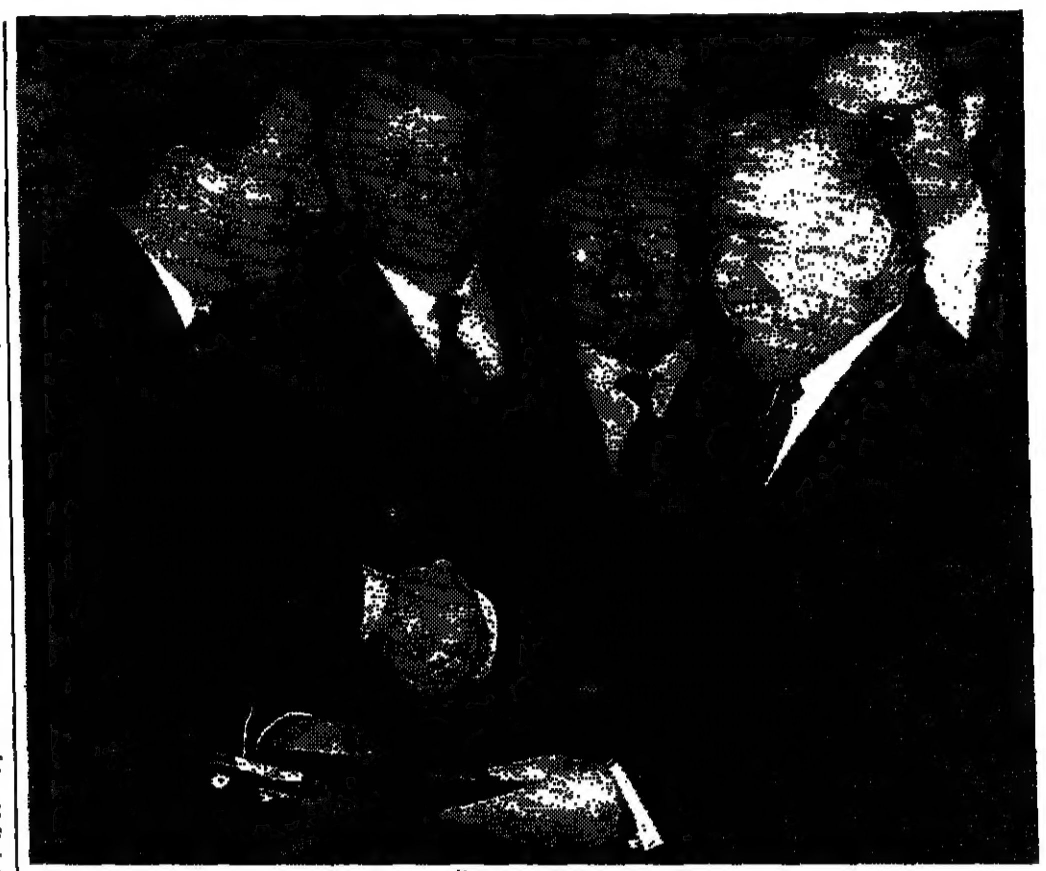
The employee ownership scheme is the third, but by far the biggest, in the US airline industry.

Earlier this year Trans World Airlines traded 45 per cent of its equity for $660m worth of labour concessions and Northwest Airlines agreed to swap up to 37.5 per cent of its shares for $886m worth of concessions.

The agreement, brokered by Mr Felix Rohatyn of Lazard Frères, the Wall Street investment bank, was reached between United's management and two unions: the Air Line Pilots Association and the International Union of Machinists. The parties are hoping the Association of Flight Attendants, which walked out of the talks earlier this year, will also sign up.

The agreement has still to be ratified by the unions' members, United's board and the company's shareholders, but it is not expected to fail because it has taken so long to secure and because too much is at stake.

On Wednesday Mr Robert Crandall, chairman and chief executive of American Airlines, told an airline industry meeting that he was sympathetic to the idea of a similar scheme at American, which recently suffered a damaging strike over its attempts to cut costs.



Reuter

US vice-president Al Gore (left) shakes hands with Russian prime minister Viktor Chernomyrdin in Moscow yesterday after they signed agreements between their countries

Bundesbank cuts M3 target growth range

By Christopher Parkes in Frankfurt

The Bundesbank yesterday tightened its money supply growth targets for next year, but stressed this was not a signal for a more restrictive interest rates policy.

Mr Hans Tietmeyer, president, in a modestly upbeat review of economic and monetary conditions, also suggested inflation was weakening and reinforced economists' expectations that the recent series of small interest rate cuts would be resumed early in the new year.

The bank's central council fixed the 1994 target range for annualised expansion of the key M3 measure at 4-6 per cent, compared with 4.5-6.5 per cent this year. As expected, it left the Bundesbank's key discount rate unchanged at 5.75 per cent.

A surprise surge in monetary growth in November, announced yesterday, demonstrated that the bank still has grounds for concern. M3, its most trusted indicator of future inflation, grew at an annualised rate of 7.2 per cent, up from 6.9 per cent in October.

However, Mr Tietmeyer said that although the economy was in a difficult transition phase, and the correction of structural problems in the west needed time, inflation was weakening and the east was no longer relying solely on cash transfers from the west.

Mr Tietmeyer said the bank would assess any scope for rate reductions. The bank has reduced the discount rate six times this year, paring it from 8.25 per cent in January to 5.75 per cent now.

Mr Otmar Issing, the bank's top economist, suggested west German inflation could fall below 3 per cent in the course of the new year, compared with the latest figure of 3.6 per cent.

The average rate of price increases for 1994 would still be above 3 per cent, he warned, and there was always a danger to import prices from the possible appreciation of the US dollar or higher costs of oil.

Yesterday's decisions, although criticised by trade unions and opposition politicians as brakes on the economic recovery, were widely welcomed by industry and the financial community.

The tighter M3 target range underscored the bank's determination to maintain monetary stability, according to the BDI confederation of German industry. It

Continued on Page 20

Metals group faces further problems as US chief quits

By David Waller in Frankfurt

The problems facing Metallgesellschaft, the German mining, metals and industrial group, deepened yesterday after it emerged that the head of the group's US trading subsidiary had resigned.

The resignation of Mr Siegfried Hodapp, MG Corp chief, came ahead of a special meeting of Metallgesellschaft's supervisory board in Frankfurt today. This is likely to focus on problems at MG Corp and is widely expected to lead to the departure of Metallgesellschaft board directors.

Last week Mr Heinz Schimmelbusch, Metallgesellschaft's chief executive, successfully negotiated new lines of credit from the group's bankers. This was in response to what Metallgesellschaft said then were temporary liquidity problems arising from the need to meet margin calls cash payouts on oils futures contracts taken out by MG Corp on the New York Mercantile Exchange, triggered by the recent sharp fall in oil prices.

There is a growing concern that the liquidity problems are greater than have been indicated to date. Reflecting this concern, shares in Metallgesellschaft yesterday dropped DM12.30 to close at DM293, against the trend of the German stock market. The shares have fallen by more than 30 per cent since the beginning of last week.

Mr Hans Schreiber, Metallgesellschaft spokesman, said yesterday that the supervisory board meeting would focus on "the status of business developments at Metallgesellschaft in general, with special reference to developments at MG Corp". Mr Schreiber added that the meeting would also deal with the consequences of what happened in the US. He said he did not know the reason for Mr Hodapp's departure from MG Corp, saying reports that a further five senior MG Corp employees had resigned were "rubbish".

Both Deutsche Bank and Dresdner Bank, shareholders in Metallgesellschaft as well as creditors, backed the company's version of events last week. Mr Hilmar Kopper, Deutsche's chief executive, said last Tuesday that the group's liquidity problems arose for technical reasons and were not "life-threatening".

However, since that statement it is understood that the banks have conducted an intensive investigation into MG Corp's activities and have been forced to revise their original assessment of the situation.

It is likely that Mr Ronaldo Schmitz, the Deutsche Bank main board director who is chairman of Metallgesellschaft's supervisory board, will today authorise a statement giving more details of MG Corp's problems and their impact on the parent company's liquidity.

The New York-based MG Corp, the full name of which is Metallgesellschaft Corp, has in recent years built up a business marketing and distributing products such as gasoline and heating oil.

This announcement appears as a matter of record only.

December, 1993

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هكذا من الاصل

Kohl braves his 'twilight months'

By Quentin Peel in Bonn

The mood in Germany is more miserable than at any stage since the depths of the last depression in 1980, and the popularity of Chancellor Helmut Kohl has hit a new low, according to opinion polls.

The newspapers are talking of collapse in the ruling coalition and a "twilight of the chancellor". Yet Mr Kohl himself remains unmoved and apparently immovable: "It is only midday," he said yesterday. "I do not see any sign of twilight."

The occasion was the chancellor's traditional end-of-year press conference, a ritual round-up of the government's successes, and failures, of the year, and a chance for the media to tease and taunt their prime political target.

If the opinion polls are anything to go by, Mr Kohl is in dire straits. The Forsa opinion research institute said yesterday that only 24 per cent of the population would back him to become chancellor again, against 37 per cent for his rival, Mr Rudolf Scharping of the Social Democratic party.

It is four points down on the chancellor's rating one year ago, according to the poll for RTL television. On the other hand, no fewer than 39 per cent do not like the idea of either Mr Kohl or Mr Scharping as chancellor.

As for the respected Allensbach Institute, the longest established of Germany's opinion polling organisations, it says that the national gloom is deepening. No fewer than 83 per cent of the population believe they are living through particularly difficult and uncertain times, and fear it will stay that way.

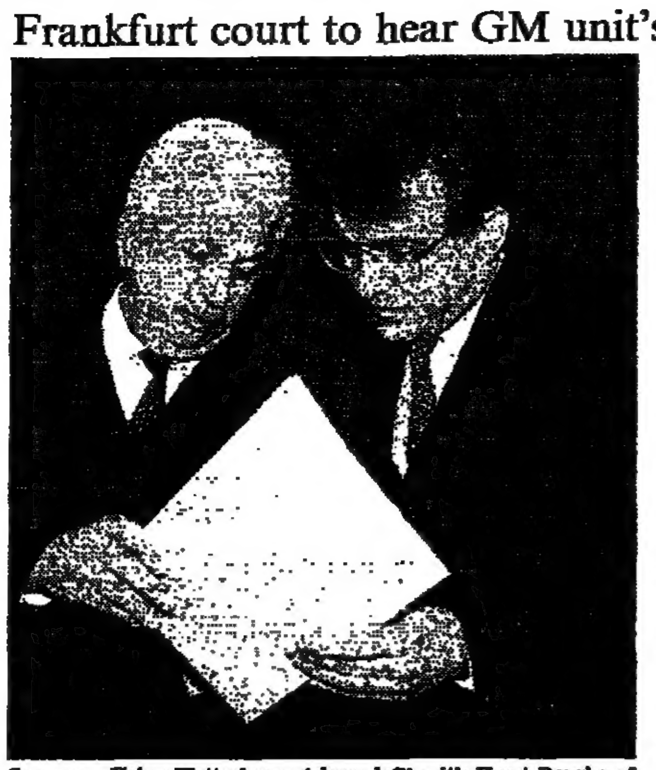
Barely one third of west Germans believe in a brighter future. The pessimism, according to the Allensbach monthly poll in the Frankfurter Allgemeine Zeitung, is worse than at any time since 1980.

Yet the chancellor's performance yesterday suggests that he sees nothing to worry about. He demonstrated his faith in his ability to sit out any storm, and emerge victorious at the general election in October 1994.

The chancellor could hardly be said to be cocky. His mood was subdued. On most of the questions of the day – such as budget cuts, the Russian elections, the state presidency, and his own re-election – his answers were very much the same: "You will have to wait and see." But it is a formula which has stood him in good stead up till now.

Frankfurt court to hear GM unit's claim of unfair competition

Opel presses case against VW 'poaching'



Car wars: Heinz Wetterkamp (above left) with Horst Borghs of Opel and (below) Jürgen Kicker and Joachim Cordhagen of VW after yesterday's hearing Associated Press

By Christopher Parkes in Frankfurt

A German court will next month hear an action by the General Motors subsidiary, Adam Opel, which claims that seven senior staff who left to join Volkswagen should be suspended from work.

Opel is expected to produce evidence and statements to back its claim that VW's hiring of the seven constituted unfair competition. The seven are close associates of Mr José Ignacio López de Arriortúa, a former GM director, and joined him within days of his move to VW last March.

Allegations of theft and industrial espionage against Mr López and three of these followers are under investigation by the German criminal authorities. The US justice department is running a similar probe.

A Frankfurt civil court yesterday turned down on technical grounds an appeal against an earlier rejection of Opel's request for a temporary injunction barring the seven from working at VW for a year.

The court ruled that Opel should have laid its suit against VW itself, and not Mr López and Mr Ferdinand Piëch, the group chairman.

Mr Horst Borghs, an Opel director, said he was confident of "a different result" at the full hearing, in which the complaint was directed at VW.

The US-owned company took up the suit after winning an injunction barring VW from attempting to poach further staff. Statements supporting this case, which includes allegations that Mr López offered to double the salaries of Opel managers if they switched to VW, are expected to be offered as evidence at the January hearing. VW officials appeared concerned at the prospects of a long legal process, consuming senior management's time which would be better spent at work.

This was why the company had been prepared to settle out of court, a spokesman said. VW had initially been prepared to suspend four of the seven for nine months, but withdrew its agreement after Opel demanded further concessions. Despite yesterday's apparent setback, Opel seems determined to maintain the pressure on VW and Mr López and keep the case in the public eye until the results of the criminal investigation are known.

The civil court hearing, scheduled for January 5, could offer an opportunity for Opel's lawyers to question Mr López in public for the first time.

Deadlock over EU pension fund rules

By Andrew Hill in Brussels

Britain, Ireland and the Netherlands yesterday rejected a compromise aimed at opening up cross-border investment by European pension funds, on the grounds that it did not go far enough.

Internal market ministers were again unable to agree on the pension funds directive, which is supposed to improve pension funds' ability to invest their assets in other countries of the European Union.

Nine ministers yesterday supported a compromise deal which would allow member states to oblige pension funds to invest as much as 80 per cent of their assets in the currency in which its pensioners are paid.

But Britain, Ireland and the Netherlands, which impose no restrictions on their pension funds' investments, believe such an obligation would run counter to the single market's commitment to the free movement of capital around the EU.

"There is still a pension fund directive that we would like – but this isn't it," said one UK official.

Normally, the dissenting trio could be outvoted by the other nine member states, but the European Commission is also opposed to the 80 per cent limit, and this means approval of the compromise has to be unanimous. The Commission said it could accept a currency matching requirement of 60 per cent, but no higher.

The internal market ministers also agreed a separate and controversial proposal offering patent protection to biotechnological inventions.

For months the European Parliament has held up progress on the measure because of ethical objections, particularly to the possibility that the directive might lead to patents on genetically modified human cells or parts of the body.

Ministers had to resolve a number of complex outstanding technical issues.

Environmental groups and political parties have argued that approval of the directive could lead to higher prices for food, medicine and other products of biotechnology, with farmers obliged to pay royalties on new strains of plants and livestock.

Airbus instrument linked to disaster

By John Ridding in Paris

A report into last year's crash of an Airbus A320 in eastern France, published yesterday, blamed a "complex chain of causes" and made more than 30 recommendations. These included a modification to the design of one instrument, and measures to strengthen cross-checking of information by the flight crew.

Airbus Industrie said it had already introduced a modification to the layout of the flight control unit in new A320s and had contacted airlines using the old layout about plans to update them.

The report into the accident, in which 87 people died, said the aircraft was descending four times faster than usual as it prepared to land at Strasbourg. Several hypotheses were advanced to explain the rapid descent.

These included human error, possibly because the pilot had made a mistake in setting the descent mode of the aircraft, or a technical fault in the controls which change descent modes. In each hypothesis, however, the report said "an accident was possible because the crew were unaware of the anomaly in the descent path".

Airbus said the modifications to the flight deck design concerned the display of descent modes.

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Skoda finds Volkswagen less than reliable

The Czech government is asking the German carmaker to honour its promises, writes Patrick Blum

Volkswagen's joint venture with Skoda, the Czech car manufacturer, had been hailed as a shining example of east-west co-operation in the post-communist era. Now it has become a source of embarrassment and friction between the Czech government and the German vehicles group.

Today, at a meeting in Ingolstadt, near the Czech border with Germany, Mr Vladimir Dlouhy, the Czech Industry minister, will remind Mr Ferdinand Piëch, VW chairman, that the Czech government is still the majority shareholder in the venture and should be treated accordingly. He will ask for details of VW's plans for Skoda, where the German group has a 31 per cent stake, which is due to be raised to 70 per cent by the end of 1995, with an option to buy the rest later.

The meeting has been called after months of controversy culminating in a fierce public exchange over VW's decision to cut its projected investment in the venture from DM7bn (£2.75bn) to DM3.7bn and to scrap plans to build a new engine plant. This follows an earlier row over the cancellation by VW in September of a DM1.4bn investment financing package for Skoda only hours before it was to be signed in London. The Czech government, which holds a 69 per cent stake in the venture, says VW failed to inform it in advance about these moves.

Prague accepts that VW, which faces big losses this year, may have good reason for scaling down its plans for Skoda, but officials say they must be consulted, and that VW must honour the joint venture agreement signed in 1991, over which there is a dispute about what is legally binding.

Prague officials say that the government is meeting its obligations to cover any restitution claims against Skoda and its pre-1991 debts.

VW for its part, promised to produce an improved version of the popular Skoda Favorit model, build a new engine plant, and develop a new car.

"We want to see these promises materialised. I don't consider (the engine plant) to be fully out," says Mr Dlouhy.

The difficulty for the government is that many of VW's promises of future investments in Skoda are not part of the original contract, but were made separately to ministers of the previous government. Ironically, VW was chosen in preference to Renault for the venture primarily on the strength of its investment plans, though these will now be considerably less than expected. But what has hurt Czech pride most is that rather than Skoda becoming a major car producer in its own right – fully developing and building its own models – it could turn out to be little more than an assembly plant run from Germany.

The government is also concerned that VW's moves to cut back its investment will affect the value of Skoda's shares, making it more difficult to find buyers for the final 30 per cent should VW not take up its option. "We need to show Skoda is in good shape if we want to get a good price. For that we need a secure investment programme by VW. By cutting their investment by half they undermine the implicit future price of these shares," says a Prague official.

Under growing public pressure and criticism of VW in the Czech press, the government has to show it is fighting for Czech interests. Officials dismiss as unrealistic suggestions that the government should find an alternative investor, but they say the government as majority shareholder could force management changes at Skoda, and decide how the annual dividend is used. Most of all it will press to be kept better informed about VW's intentions. "After all, unlike in Catalonia [VW's troubled Seat plant], we are still the majority shareholder. We have the right to know (what VW is doing)," says one official.

Seat's future, Page 22

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Macedonia backed by half of EU

By Kerin Hope in Athens, Laura Silber in Belgrade and Gillian Tett in London

Six European Union member-states said yesterday they are establishing full diplomatic relations with Macedonia, despite strong opposition from Greece.

Diplomats from Germany, France, Britain, Italy, the Netherlands and Denmark made separate visits to the Foreign Ministry in Skopje to inform the Macedonian government.

The move is set to irritate Greece, which takes over the presidency of the European Union next year, and add an extra edge of controversy to EU attempts to co-ordinate foreign policy.

Greece has insisted that recognition of Macedonia by its EU partners would undermine the principle of a joint foreign policy because Macedonia's name implies a territorial claim on the northern Greek province of Macedonia.

Mr Theodoros Pangalos, Greek minister for European affairs, recently provoked a diplomatic row by accusing Germany of acting like a "bestial giant" for pushing for recognition. Although he later apologised, the timing of the announcement, rushed through just before Greece assumed the presidency, seems likely to further strain relations.

However, British diplomats yesterday denied that the announcements had been co-ordinated by Germany or its EU other partners. "This was an entirely national matter," said the British Foreign Office, stressing that recognition was a "normal step" given that Britain and other European countries had accepted Macedonia's entry into the United Nations in April.

Meanwhile, Mr Kiro Gligorev, Macedonian president, stressed that he wanted "widespread co-operation" with Greece. Macedonia was willing to sign an agreement guaranteeing the present border with Greece, he said.

Russians caught between the extremes

By John Lloyd in Moscow

Russia is caught between two extremes: the message from the elections last weekend to slow down or even abandon reforms – and the demands of the Russian reformers and the international community for even faster progress towards the market.

In Moscow yesterday, Mr Al Gore, US vice-president, appeared to be aware of the strength of the message from the electorate when he criticised the International Monetary Fund for insensitivity to the results of harsh economic measures with which it has become associated. He spoke movingly about the effect of vast and rapid budget cuts (implemented, it should be said, not by the IMF but by Russian governments) on defence industry jobs.

Mr Gore's intervention, appeared somewhat at odds with a Russian White House briefing on on Wednesday afternoon.

"The whole thing is on hold," said one financial official yesterday. "We have a changed situation here, in which it will be much more difficult for the government to go forward with anything approaching austerity. The west will have to try to look at how to re-organise its programmes to be more responsive to the current concerns."

A worker removing the Soviet hammer and sickle from the Russian parliament yesterday Reuter

The government reformers have not given up: Mr Boris Fyodorov, the deputy prime minister in charge of finance, yesterday called on President Boris Yeltsin to speed up reforms – and repeated his threat to resign if Mr Viktor Gerashchenko, head of the central bank, were re-appointed.

"He (Yeltsin) has to appoint a candidate to parliament. It will be a strategic decision for years to come. It will be unbearable if he again appoints Gerashchenko," he said. But, it Mr Gore's line is followed internationally, the reformers may find that they have lost support not just in the country, but in the west.

Dr Andreas Gummich, Deutsche Bank's expert on the Russian economy, said yesterday: "The reformers must address the problems raised by (the neo-fascist) Vladimir Zhirinovsky – especially the law and order issue. And the IMF must take some lessons from this too." For the World Bank and the IMF the dilemma is acute. The Bank has an ambitious programme of lending to the energy and other sectors scheduled to be more than \$2bn (£1.3bn) in the coming year; the Fund has to decide on whether to proceed with the second, \$1.5bn tranche of its "systemic transformation facility", crafted to give immediate support to the reformers.

Even before the elections, these were in doubt. The restraining of the budget deficit to within 10 per cent of gross national product for the year and to Rbs5,500bn in the fourth quarter has been achieved only by deferring necessary payments of an estimated Rbs5,000bn which will have to be met early in 1994. The year will thus begin with a vast deficit.

The strategy, so far followed by the institutions and the G7, of agreeing with Mr Gaidar's priority of bringing down inflation and restraining the budget, is likely to be reviewed, especially among those countries, such as Japan, that have been consistently sceptical about the possibility of rapid reform. What may now gain favour is specific assistance to sectors which can be restructured without financial stabilisation and with an assumption of continued inflation.

In the past months, there have been indications of a growth in interest in Russia among western business. US companies with offices in Moscow, numbering less than 100 some 18 months ago, have grown to at least 500.

However, says Mr James Tilley, vice-president of Conoco, whose \$200m investment in the Polar Lights oil project and plans for a further investment of \$3bn represent the largest western commitment to Russia, said: "There will be a period of two or three months where people will think very carefully about what is happening here – it will be difficult to get things done with the government. If parliament and the people clearly indicate that they don't want foreign investment here then we cannot do business. But we don't think that is the case. We think that things have progressed to the point where westerners can do business here."

Mr Bruce MacDonald, whose BBDO advertising agency was one of the first to establish itself in the Russian market, said that foreign businessmen had feared three things – a non-convertible currency, a population with little money and political instability. "The first of these has been removed; second, spending power has greatly increased; and the third is a function of a democratic vote."

Mr Joseph Condon, executive director of the newly formed American Chamber of Commerce in Moscow, said yesterday that all foreign businesses wanted rapid action on a number of fronts – taxes, duties on imports, licensing and finance and banking and the lack of a commercial legal code.

"Russia is going through a profound transformation. That transformation does not come easily and in my view will not come quickly – it will probably take a generation".

Editorial Comment, Page 19

NEWS IN BRIEF

European tie-up on telecoms/aviation

Unisource, a Pan-European joint venture between the telecom companies of the Netherlands, Sweden and Switzerland, has entered into a partnership with Sita, a global data network operator owned by airlines, freight forwarders and other companies involved in world aviation, writes Ronald van de Krol in Amsterdam.

The alliance will give Unisource access to telecommunications networks outside of its base in Europe. For Sita, whose full name is Société Internationale de Telecommunications Aéronautique, the partnership will open up opportunities to find customers outside the aviation sector.

Unisource's aim is to provide "seamless" global data communications to multinationals in direct competition with big telecommunications operators such as AT&T of the US and British Telecom. Unisource and Sita said their networks were based on compatible technologies, making partnership between them straightforward.

Germans defend recycling scheme

Mr Klaus Töpfer, the German environment minister, yesterday defended his country's recycling scheme following a decision by European environment ministers to introduce lower European recycling quotas than those in Germany, writes Ariane Genillard in Bonn.

In a statement, Mr Töpfer, the architect of Germany's ambitious environmental legislation, said the agreement would set back recycling programmes in Europe and force Germany to produce more waste.

"It is not supposed to be the EU's job to standardise the environmental tempo in all member states at any price or even to reverse it," Mr Töpfer said.

Romanians launch street protests

Tens of thousands of Romanians yesterday attended anti-government demonstrations as part of aseries of rallies and strikes organised by the country's largest trade union, writes Virginia Marsh in Bucharest. Unions say that if the government does not meet their demands, they will hold a strike in mid-January. Both the unions and pro-reform opposition parties, which today bring a motion of no-confidence in the government, say the economy will worsen unless privatisation and restructuring are accelerated.

Bonn leads curb in asylum cases

The number of asylum applications to European countries slowed last year, primarily because of a drop in applications to Germany, according to the Geneva-based Inter-Governmental Consultants on immigration reveal, writes Gillian Tett in London. During the first three quarters of 1993, 471,077 asylum applications were made to European countries, compared with 679,900 in 1992.

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The Royal Bank of Scotland plc is pleased to announce that the monthly rate of interest charged to its Access, Visa and Affinity MasterCard cardholders will be reduced from 1.69% to 1.59% per month (equivalent to an annual percentage of 22.0%) with effect from 1 January 1994.

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NEWS: THE GATT AGREEMENT

Trenchant fixer who masterminded deal

The deal is done

Peter Sutherland, second cigar of the afternoon rolling between his fingers, leant back in his armchair in Gatt headquarters in Geneva. "I think this is the first day in weeks when I can honestly say we haven't had a crisis," he said.

The nearest thing to crisis was a Christmas party for the staff of the General Agreement on Tariffs and Trade. Otherwise, this lakeside setting for the last dramatic weeks of negotiation of the Uruguay Round of global trade liberalisation had the air of a football stadium two hours after the end of a big match.

In just six months, Mr Sutherland has taken the long-delayed negotiations by the scruff of the neck and wrung a conclusion where none had

David Dodwell, Trade Editor, interviews Gatt chief Peter Sutherland

been possible for three Decembers. Perhaps history will say the round was by now ripe for plucking, but the importance of Mr Sutherland's role cannot be underestimated.

Even before his appointment was formally announced at the end of June, he was putting in place a strategy for completion of the Round that has barely needed to be changed since: fix the December 15 deadline as firm and final; raise the profile of the Round to the highest possible level; and set a clear working agenda that paced progress from July.

"There was a point very early in July when I took what I felt was a very bold decision," he recalls. "It proved crucial. I simply recognised that unless the Group of Seven summit in Tokyo in July did not come up with a clear, specific initiative, the Uruguay Round process was potentially destroyed: simple repetition of the generalised rhetoric of recent summits was simply not adequate."

So he met secretly with Japanese ministers in Paris at the annual conference of the Organisation for Economic Co-operation and Development, with the aim of ensuring that the Uruguay Round was "the only issue for Tokyo". That succeeded. The Tokyo summit, and the Quad ministerial before it including Japan, the US, the European Union and Canada, focused almost entirely on the Round.

From there, he flung himself into a fearsome globetrotting agenda that began in the UK, moved on to South-East Asia and Latin America and the fringes of the International Monetary Fund-World Bank summit in Washington. He saw Germany's Helmut Kohl and France's Edouard Balladur, then leaders from the eastern and central European countries. He took individual trips to Japan and to India.

"This was not an *ad hoc* process," he says. "It was deliberately planned, calculated to get a certain momentum going – to create a political focus based on publicity that would ensure the maximum degree of movement."

In this he appears to have been a brilliant success. His public comments have never failed to be trenchant. His private comments appear to have been even more colourful. He has bawled out world leaders on the telephone; carpeted lobbyists and politicians of any creed that seemed inclined to block progress towards completion of the round. He wrought patience from irritable and frustrated leaders from developing countries who watched helplessly as the US and the EU wrangled over bilateral disagreements until the sand had almost run out of the hourglass.

But behind the public relations, he put in place a work programme that remained in place up to the close of negotiations on Wednesday.

He appointed deputies (there were none in place when he arrived). He appointed four "friends of the chair" to chisel at specific problem issues such as market access, dumping, and trade in services.

He set up daily strategy meetings to define blockages and to deal with them. He launched open-forum "heads of delegation" meetings for negotiators to air frustrations. And he set firm rules for debate.

But it was only on Sunday, with the breakthrough solving the dispute over US demands to change the rules regulating anti-dumping, that Mr Sutherland realised the deadline was in his grasp. "This was an absolutely crucial breakthrough," he said yesterday. "We managed to convince the EU and the US that the longer they left it before they settled their differences, the greater the resistence there would be any proposals – even reasonable ones," he said.

The result was the dramatic US-EU "agreement to disagree", which in reality dumped on to the Gatt secretariat five large problems to negotiate at the last minute in a multilateral context. These ranged from financial and audio-visual services, to shipping, textiles and intellectual property rights.

Then he started to "gavel through" approval of different parts of the negotiated text of the 550-page final act at a hectic pace. "At one point, we were gavelling through at a rate of one article every five minutes – it became a matter of immense amusement," one participant recalled.

No-one paused to recognise that the gavelling process in fact had no legal authority. Yet the myth of the unchallengeable authority of the gavel remained intact right through to Wednesday evening, when the entire text was gavelled in a piece of pure theatre.

"Up to this moment, we have been firefighting," Mr Sutherland said yesterday. "The agenda has been driven by the Uruguay Round. From here on, we will be able to examine matters issue by issue."

He insists he has not yet charted a strategy for the future. A two-day retreat in January for himself and a small group of colleagues is intended to get that in place. But a more-powerful World Trade Organisation is likely to be a very different animal from the Gatt of the past 45 years. Planning the new structure and functions of the WTO will absorb much time.

Perhaps Mr Sutherland's fighting qualities will be in less demand. "If we were worried about the occasional fight, we would not have appointed an Irish rugby player as director general," a colleague noted. Not just a rugby player – but a prop forward too.

Peter Sutherland: he combined a brilliant publicity campaign aimed at creating a political focus "to ensure a maximum degree of movement" with a rigid work programme Colin Beere

PC makers cry foul on chip tariffs

By David Dodwell, World Trade Editor, in Geneva

Europe's personal computer manufacturers cried foul this week following news that the European Union would maintain 14 per cent tariff barriers against critical semiconductor components imported from outside Europe.

They predicted the result would be pared profits, damaged competitiveness, and pressure to move production out of Europe.

The protest follows a last-minute decision by EU officials in the tariff-cutting negotiations in the Uruguay Round of global trade liberalisation to maintain tariff protection for imports of D-Rams, critical components in all personal computers and other consumer electronics products.

This was in spite of agreement to make sweeping tariff cuts across large parts of the semiconductor and industrial electronics sectors.

"With almost no D-Ram production capacity in Europe, we have to import these at high cost from Japan and Korea," said Mr Bruno Lamborgini of Olivetti. Mr Lamborgini is also president of the European Association of Manufacturers of Business Machines and the Information Technology Industry (Eurobit).

"It's a nonsense to maintain a 14 per cent tariff wall, while reducing tariffs on other components. It will have a powerful negative effect on Europe's competitiveness, and may force us to move production out of Europe," he added.

The tariffs add Ecu20m (£15.24m) a year to Olivetti's costs: personal computers account for 25 per cent of the company's sales.

The tariffs also hurt manufacturers such as ICL, Philips and Bull.

Eurobit accounts for annual computer output of about Ecu12bn. Mr Lamborgini declared. "Everyone works on extremely thin margins, and even a small amount can make an immense difference to competitiveness."

The only company appearing to benefit is Siemens of Germany, which has a limited D-Ram capacity and may have plans to add to this in the near future.

No 'slam dunk' shot for Gatt in Congress

By Nancy Dunne in Washington

President Bill Clinton has officially informed Congress of his intention to sign a Uruguay Round package, but he repeated past vows not to "enter any agreement unless I am satisfied that US interests are protected".

While praising the overall package, he said negotiations would continue to work on "a few areas of significance that we were unable to resolve at this time". This includes financial services, audio-visual trade and market access.

"Some commitments were contingent on receiving satisfactory commitments from other countries," he said in a speech on Wedenesday night. "We will continue to work to ensure that the best possible agreement."

Gatt – not to mention the newly named World Trade Organisation – is as obscure as ever to most Americans; it is not likely to inspire the level of passion achieved in the battle over the North American Free Trade Agreement.

Congressional approval of the trade deal could be many months off, and might even slip into 1995. Mr Clinton has 90 days in which to sign approval of the package, then a further 90 legislative days before sending the implementing legislation to Congress, already facing a packed agenda next year.

The long delay will allow both pro- and anti-Gatt forces, still trying to disentangle the detail of the deal, plenty of time to muster arguments and lobby congressmen.

Most of the business community in Washington yesterday was reacting positively to the agreement. The chemical industry, however bemoaned the failure of many countries to agree to tariff cuts.

"Our support for tariff reductions down to the 5-6 per cent range was conditioned upon obtaining major country coverage in the round and the elimination of non-tariff measures," it said. "If the developing countries aren't on board, then the US must reserve the right to make adjustments to its offer... to keep pressure on the developing countries to participate.

"We've been told this is possible, and urge it as a strategy of last resort."

Other industries have not achieved their objectives. However, it is by no means clear they will strongly oppose it.

The main opposition that is surfacing is built around the core of populists which fought the North American Free Trade Agreement. The followers of Mr Ross Perot, the Texas billionaire, may join in, but the trade unions may split, depending on the gains achieved by their industries.

Congressman Jim Kolbe of Arizona, one of the cannier leaders of the Nafta fight, believes it will not be "a slam dunk", or easy shot, to get Gatt approved by Congress.

Mr Kolbe was disappointed that the Japanese held firm against reducing their tariffs on copper, a major commodity in the state. But he will still support the deal.

"The issues in the Nafta were clear cut," he said. "This will be much cloudier. There will be an attempt to pick off individual members by different interest groups.

"Some agriculture people will oppose it and we could lose the pharmaceuticals." The environmentalists, who are beginning to appear to be solidly against the pact, have exhausted their influence in the Nafta battle.

Mr Abraham Katz, a former US ambassador to the OECD and president of the US Council for International Business, says the members of his groups – multinationals and service providers – will support the pact. It is inevitable industry will be less united on Gatt than on Nafta, because many had aims diametrically opposed. Exporters wanted the US dumping laws weakened; domestic industry wanted them preserved. "Every one of these issues was a matter of balancing," Mr Katz said.

Confusion over Section 301 powers on services

By Frances Williams in Geneva

The extent of curbs placed by the new world trade accord on unilateral action by the US was the subject of conflicting statements yesterday. In particular, confusion arose over whether US Section 301 retaliatory powers could be used against financial and audio-visual services specifically exempted from fair trade obligations under the Uruguay Round services accord.

US officials said the administration could continue to take unilateral reprisals against unfair trading practices in services exempted from the general services agreement obligation to give equal market access to all trading partners, known as Most Favoured Nation treatment.

On Tuesday, at the end of their final negotiating marathon, Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, European Union trade commissioner, said that after failing to settle disputes on audiovisual and financial services, both sides would be taking MFN exemptions in these sectors.

The EU later argued that because these services are covered by the Uruguay Round general services agreement, the US would in future be barred from taking unilateral action. Since MFN exemptions are contained in country schedules (part of the Uruguay Round services accord), these were effectively sheltered from Section 301 attack.

Gatt officials share this interpretation. "The US can't challenge MFN exemptions under Section 301," said one. "The country schedules are an integral part of the Uruguay Round deal." "If the EU tables an exemption and the US accepts that, I don't see the US has a leg to stand on," said another.

The EU has taken several exemptions from MFN treatment in the audio-visual sector, most importantly for its system of broadcasting quotas reserving the majority of TV programming for European productions. The US, on reflection, decided there was no need for it to do so, officials said.

Mr Kantor said on Tuesday the US would also be taking exemptions for audio-visual services, but in the end decided not to do so, officials stated. US officials say an MFN exemption simply removes the obligation of countries to conform to non-discrimination rules, but does not protect it from challenge that its practices are unfair. "An MFN exemption doesn't mean a country can do what it likes," a US negotiator declared. "There's nothing in the services agreement that bars us from using Section 301." That already requires the administration to seek recourse under multilateral dispute procedures where available.

The new streamlined Uruguay Round disputes settlement procedure will cover services - (and intellectual property) for the first time, obliging the US to route more disputes through multilateral procedures. But "if a country has an MFN exemption we wouldn't have recourse under the services agreement", so unilateral action would be possible, the US official added.

● Further multilateral talks on maritime services will be held along with continuing ones on financial services, as agreed by Mr Kantor and Sir Leon on Tuesday, trade officials said. The shipping talks, like those planned for basic telecommunications, are set to end in 1996.

The Gatt deal could create around 400,000 industrial jobs in the UK over time, reports **Michael Cassell**

Psychological boost for British industrial exporters

The deal is done

This week's Gatt package is being greeted by British industry as momentous good news which should help in its struggle to raise the nation's exporting effort. But the move to slash tariffs and open up global markets is a two-way affair.

Mr Michael Heseltine, trade and industry secretary, was yesterday anxious to play down the threat of still higher import penetration of UK markets and to call instead on companies to use the stability of a world trade liberalisation treaty to step up overseas sales.

"We must not say we can't do it. We have very considerable opportunities to win in world markets if we put our minds to it," he said.

The theme was picked up by Mrs Ann Robinson, director of policy at the Institute of Directors. "There are big benefits waiting, providing companies prepare to respond to it and the Department of Trade and Industry provides the support services for exporters which it has been putting in place," she said.

Mrs Robinson said Britain has concentrated too much of its sales effort within other European markets and the new Gatt package should help them refocus their efforts on alternative markets with much bigger potential.

Early industry estimates have suggested that the deal could generate as many as 400,000 new jobs across British industry over time.

Britain's exporting effort has been improving recently and the country still exports per head nearly 50 per cent more than the US and 20 per cent more than the Japanese. Ministers were recently bold enough to commit themselves to boosting the country's share of world trade from 5.3 per cent to 6.3 per cent by the end of the decade – adding £10bn to exports at 1993 prices. It stood at 20 per cent 60 years ago.

Though the Uruguay Round will not be enacted until 1995, with many changes then progressively phased in, the agreement was being greeted as an important psychological boost for companies at a critical point in the economic recovery.

Sir Denys Henderson, chairman of Imperial Chemical Industries, said the deal would "give a considerable boost to business confidence. It sends a positive signal from world leaders to the business community that international trade prospects should improve, barriers come down, markets open up and interest rates fall".

Heseltine (left) and Henderson: both bullish on the Gatt effect

British business is also emphasising the importance of the agreement on prospects for inflation. An IoD spokesman said: "We have achieved low inflation and the challenge is to keep it that way. Gatt should help make that possible, eventually bringing down a whole range of prices, from food and clothing to other products. We could even see inflation at zero."

The Confederation of British Industry is also enthusiastic about a deal which it says will help the "lean and fit" businesses now emerging from recession to take full advantage of a low inflation and low interest rate base to tackle markets previously hard to penetrate.

The UK clothing and textile industries, where exports run at half the value of imports, could derive marginal benefits from the Uruguay Round. The agreement promises the phasing out of the UK's import quotas on supplies from many Asian countries. But the effect on UK manufacturing will be small because most production of low-priced garments such as T-shirts, and goods such as cotton yarn has already ended in the UK.

At the same time tariffs and barriers imposed by other countries on UK exports will be eased. The US and Australia, for example, should cut import taxes from their current levels of 40 per cent or higher.

Some of Britain's privatised industries, which have since turned themselves into global businesses, are also encouraged. British Steel, which has £4bn of annual sales – almost half of them overseas – says a reduction in tariffs is good for suppliers and customers.

But work on achieving a multi-national steel agreement was decoupled from the Gatt negotiations when it was realised that agreement between the EU and the US was not going to be possible. British Steel said yesterday: "It is important to us that the US, the world's champion of free trade, is prepared to open up its own market."

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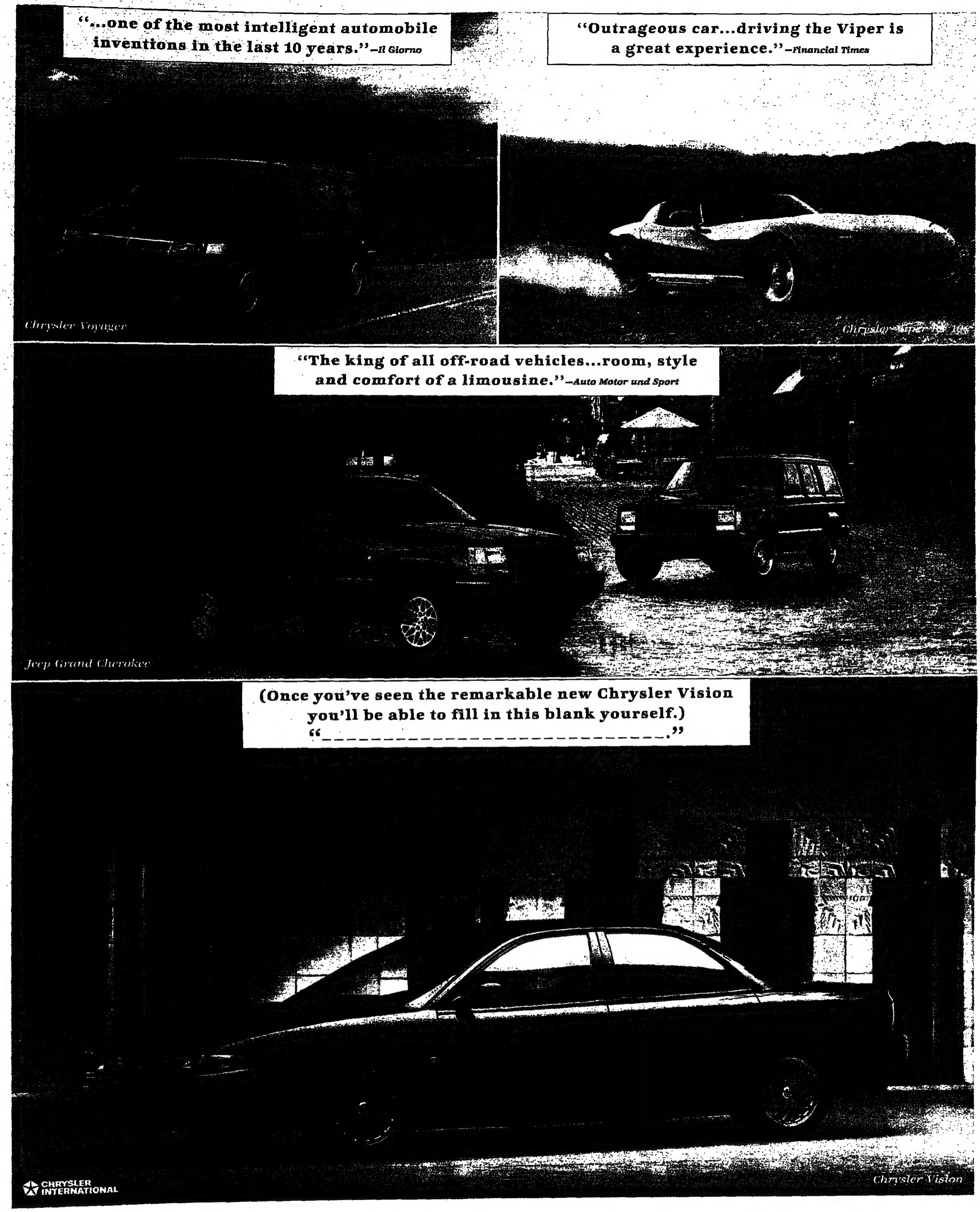

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NEWS: THE SINO-BRITISH IMPASSE

Hong Kong Governor Chris Patten this week submitted electoral legislation in the face of furious opposition from China, which says it will scrap his reforms when it takes over in 1997. Hope of reaching the handover in a spirit of co-operation is now in tatters. British and Chinese officials tell the story of the controversial proposals to **Simon Holberton**

HONG KONG

The gulf dividing Britain and China over Hong Kong suddenly yawned wider on November 26. Negotiators meeting in Beijing had an exchange which suggested the differences had become so great as to make further talks futile.

This was the 17th time that the officials had met in a lavish pavilion in Beijing's Diaoyutai state guest house complex to discuss Britain's desire to broaden democracy in Hong Kong before the colony is handed over to China on July 1 1997.

The usual style of Mr Jiang Enzhu, the vice foreign minister leading the Chinese side, was to lay out China's position in painstaking fashion. But on this occasion he was remarkably direct. China, he said, had decided that there would be appointed members on Hong Kong's district boards after 1997.

Mr Christopher Hum, the senior British official, replied that under Sino-British agreements, appointments were nothing to do with Beijing. This was a decision for Hong Kong's own post-1997 government.

Mr Jiang replied: "What do you mean? We've got sovereignty after 1997."

To the British, Mr Jiang's aggressive assertion was final proof that China would not entertain political liberalisation in Hong Kong beyond the agreements already reached with Britain – and that even those accords might be in doubt. To the Chinese, it was Britain's attempt to push through democratic reform that had undermined, perhaps fatally, the agreements on which Hong Kong's future was based.

In the final days of seven months of talks, China had come close to striking a deal on some of the British proposals, only to pull back at the last moment. Mr Chris Patten, the governor, had failed to demonstrate to Beijing that democratising Hong Kong's political system was in both Hong Kong's and China's interest. Instead of the closer co-operation which he had sought, mutual bitterness and suspicion had increased since his arrival on July 9 1992 as the 28th and probably last British governor.

He said in his inaugural address: "I will do all that I can to remove misunderstandings and to build up trust. Trust is a two-way street. Good co-operation with China is my sincere aim and my profound wish."

The governor was a skilful politician but his task was difficult from the outset. He was to hand over perhaps the world's most successful capitalist economy to a communist government which, believing its imperial forbears had been robbed of the territory in 1841, had long mistrusted the British.

He himself set the hurdles even higher by deciding to seek a broadening of the franchise. Hong Kong's economic success, he argued, was inseparable from the rule of law, and the law was intimately linked to fair and open elections.

In pursuit of closer links, Mr Patten sought to open a secret channel of communication with Beijing. In London he had met Mr Ma Yuzhen, the Chinese ambassador. According to a Hong Kong official: "Mr Patten told him among other things that if the Chinese would put someone in Hong Kong who he could talk to then they would find the governor wholly open."

The request was rebuffed. "The response to his suggestions to ambassador Ma was a stiff-faced note ... from the Chinese saying it was a very good idea that the governor should talk to someone and that the person he should talk to was Zhou Nan," the official said. Mr Zhou was the senior Communist party official in Hong Kong, a man known from previous negotiations to be a political hardliner.

With the attempt rejected, Mr Patten set out to design reforms which met constraints imposed by Beijing while fulfilling Britain's pledge to enhance democracy. Steps towards democratic rule were set out in the Joint Declaration, the 1984 Sino-British agreement on Hong Kong's future, and the Basic Law, the post-1997 constitution drawn up by Beijing. Mr Patten was responding to demands in Hong Kong for faster reform after the June 1989 massacre in Beijing's Tiananmen Square.

"I think the parameters were pretty clear," Mr Patten said in one of several interviews with the Financial Times. "The Chinese had said ... there could not be any more directly elected seats ... They said there shouldn't be any liberal legislators on the Executive Council [ExCo]." ExCo, the governor's private advisory council, had traditionally included senior politicians.

Mr Patten decided to appoint professionals and business people to ExCo instead of politicians. Rather than seeking an increase in directly-elected seats on the Legislative Council – 20 in the 1995 elections – he would broaden the franchise of the 40 indirectly-elected seats.

Voting for 21 existing "functional constituencies", which represent professional groups, would be by individuals instead of corporate bodies. For nine new seats, Mr Patten wanted to enfranchise the entire working population of 2.7m, divided into nine industry groups.

Ten more LegCo members were to be chosen by an election committee. The Basic Law was silent on the committee's composition, though it did spell out provisions for 1999. Mr Patten decided to end appointments to district boards and municipal councils. Elected members of these would constitute the committee.

Mr Douglas Hurd, foreign secretary, briefed Mr Qian Qichen, his counterpart, on September 25 1992 in New York. The following day, Mr Patten sent a message detailing his plans to Mr Lu Ping, director of Beijing's Hong Kong and Macao affairs office. The governor says: "At the Qian meeting there was no response; he was just very polite about it all. Nothing happened and then three or four days before the speech Lu Ping summoned our ambassador and told him I should not go ahead with it but wait and discuss it first."

According to China's Outlook magazine, Mr Lu told Sir Robin McLaren, the British ambassador, that political development should proceed step-by-step and in accordance with the Basic Law. The magazine said Mr Patten "should have listened carefully to opinions from the Chinese side and reached consensus through discussion and revision before making an announcement. Only in that way could his approach be regarded as being responsible, co-operative and 'in good faith'."

Mr Patten, however, pressed ahead. Though he called the plans he announced on October 7 proposals for discussion with Beijing, his approach represented a clear move away from the previous practice of negotiating issues with China in advance of public announcement.

"We thought what we've got to do was sketch our view of what clean electoral arrangements would look like. We thought that unless we did that the whole argument would be conducted on China's ground rather than ours," Mr Patten says. "The impulse for doing it was that it would have been politically intolerable only announcing things where we had given way to China and given way quite substantially."

The response in Hong Kong was positive. This was crucial to Mr Patten, who regarded popular support as his trump card. United Democrats party politicians accepted the proposals as the best they could expect. Business initially applauded Mr Patten – though as the confrontation with China deepened, business people either kept quiet or began actively to oppose him.

Mr Patten went to Beijing on October 19 for talks. "The meetings with Lu Ping were pretty good, good in the sense that until right to the end they were serious exchanges of views ... I thought I'd been immensely accommodating and vigorous," said Mr Patten. "I was very open, I was very explicit."

Mr Lu had specific objections to Mr Patten's plans. In an FT interview this year, he explained China's opposition to the new functional constituencies. "What he envisages is that all the workers will have a vote. For instance, we're going to have a functional constituency for the textile industry ... According to his proposal it might be quite possible for somebody who is an ordinary worker, maybe a cleaner, to be elected ... That's what I asked him: 'Do you think a cleaner, an ordinary worker in the textile industry, can represent the interests of the textile industry?' I don't think so."

China's denunciation of Mr Patten began while he was on the flight back to Hong Kong on October 23. Beijing said Mr Patten's proposals violated the Joint Declaration and the Basic Law, as well as a secret understanding between London and Beijing. They were another example of the British conspiracy to retain an influence in Hong Kong after 1997 and of the UK's inconsistency. Talks could only resume if the proposals were withdrawn.

Beijing said it would ignore any elections held without its consent and would hold fresh elections under new arrangements – the so-called "second kitchen". China also put in doubt the viability of business contracts after 1997 and raised questions about plans to expand Hong Kong's container port.

Mr Patten says: "We thought that there were various decibel counts of Chinese protest and I have to say it turned out to be at the extremest end of what we anticipated." Embarrassingly for him, what China saw as a secret agreement in the so-called "seven letters" had not featured in the planning of his proposals. Mr Hurd had, in February 1990, written to Mr Qian agreeing in principle to China's preferred structure for the election committee – a four-part body consisting of business and professional groups, social services and religious and political figures, and community groups.

A senior British official says: "It is true that [the letters] were not considered when drafting the proposals, but the governor was well aware of them in the days before he went to Beijing." Though Britain says the letters were inconclusive and related to post-1997 Hong Kong, the British official admits: "I think the issue of the letters was an oversight on our part, an understandable one but an oversight nevertheless. We should have been a bit more cautious."

A thaw in the Chinese position began in late December when Mr Lu said China did not want a "diplomatic war" with Britain. As Mr Patten prepared to table legislation, Mr Hurd wrote to Mr Qian regretting that the two sides seemed unable to talk about electoral issues. On February 11 Mr Qian replied that China was prepared to discuss them.

After a month of "talks about talks" – which stalled on the issue of Hong Kong representation – Mr Patten gazetted his bill, but said it would not yet be formally tabled because Britain still wanted talks with Beijing. A further month passed before agreement was reached to hold talks.

Mr Patten has been torn throughout between his instinct to push ahead, and Foreign Office advice to strike a deal with Beijing. He anticipated the talks with dread, believing an agreement could only be struck on China's terms. For Mr Patten it would be preferable to have LegCo water down his proposals than for China to do so in secret talks, forcing him to present an amended bill to lawmakers.

He says: "[It is] very difficult, very, very difficult, to see how we could have just not talked, but if we'd gone ahead and put the legislation last March/April one way or other it would all be over by now. But we couldn't have not talked."

Talks started on April 22. Four rounds were taken up with Mr Jiang Enzhu, China's chief negotiator, attempting to get the British to agree to a statement of "principles". According to Mr Patten, these amounted to "you won't do anything that we disagree with", and interpretations of previous agreements designed "to hog-tie us".

Then Mr Jiang slowly laid out the Chinese position. He argued that the system of appointments to district boards and municipal councils should be continued. LegCo's directly-elected seats should be double-member constituencies, with electors having one vote, instead of single-member constituencies as Mr Patten proposed. Britain believes the Chinese proposal is designed to limit the ability of pro-democracy politicians to win seats.

For the nine new functional constituencies, Mr Jiang argued for small electorates. Mr Patten says: "It was all pretty vague and they had nothing to say on the 'through train'" – a set of criteria which would allow those elected in 1995 to serve until the elections of 1999.

Mr Hurd told Mr Qian in July that after hearing the Chinese ideas, Britain was prepared to make new suggestions. In July and August, Britain put forward watered-down proposals, reducing the voting pool for functional constituencies by two-thirds and accepting a four-part election committee – though insisting its members should be elected. Mr Patten says: "They listened to all that and did bugger all."

The gap was underlined on October 28 when Mr Jiang was asked by the FT for his view on Mr Patten's principles that elections should be "fair, open and acceptable to the people of Hong Kong". Mr Jiang replied: "I don't know if you've noticed, but Mr Patten's principles are not covered in the [letters] between the two foreign ministers."

However, on October 28, in the 15th round, the Chinese side came up with a new proposal. Mr Jiang suggested Britain accept that Hong Kong delegates to the National People's Congress and other "people's congresses" could stand in district board, municipal council and LegCo elections. The two sides would agree to lower the voting age to 18 years; the voting method should be single seat, single vote for district boards and municipal councils. Finally, he suggested a formula to the effect that Britain could abolish appointed members for district boards and municipal councils before 1997, but it would be for the Special Administrative Region government to determine the number of members after 1997.

Mr Patten says: "Robin McLaren [UK ambassador to Beijing] at the table said 'Could you repeat that'. They said it twice. He then said a number of times during the meeting: 'We interpret that to mean that you won't object if we abolish appointed members before 1997 and the SAR government will decide what to do afterwards.' They didn't disagree with that."

The Chinese offer was drawn up into a memorandum of understanding (MOU). To this was added a British requirement that the "first-stage" agreement also provide for settling the voting method for the directly-elected LegCo seats on the basis of one-man, one-vote in single member electorates.

Mr Patten says: "LegCo voted by solid majority for the voting method; the leaders of political parties in LegCo say they believe in single seat, single vote, and it is simply not realistic to put in legislation which does not take account of that. We said that in our proposed MOU. And there were lots of winks and nudges that suggested it was OK."

The cabinet committee on Hong Kong affairs debated the Chinese offer in London on November 8. It decided to allow the British team to seek a "first-stage" agreement. However, Mr Patten was cleared, subject to Mr Hurd's approval, to press ahead with legislation if a deal were not obtainable. If "non-controversial" issues were immediately legislated, there would be up to two months to discuss "controversial" aspects before they too had to be put into law in time for the elections.

Hopes of a deal quickly faded. The 16th round was "the worst on record", according to Mr Patten. Mr Jiang said the LegCo voting method could not be part of an agreement. He said Britain had misunderstood what Beijing had offered on appointments to district boards and municipal councils. He would clarify this misunderstanding only if Britain agreed to drop the LegCo voting method from the package.

The round ended acrimoniously with Mr Hum, who had replaced Sir Robin as the UK leader after the ambassador had been taken ill, telling Mr Jiang that the next round would be the last opportunity for talks about the "straightforward issues". At the customary banquet at the end of the round, Mr Jiang would not speak to Mr Hum for the first three courses, claiming that he had "spoiled his meal".

At the 17th round on November 26, the Chinese said they did not want a written MOU, but an oral understanding. It should cover what was offered in the 15th round but not include the voting method for directly-elected LegCo seats. Britain would have to agree to forswear unilateral action if it accepted this offer, Mr Jiang said. The exchange about appointed members followed. The talks had reached impasse.

Mr Hum told Mr Jiang legislation of "straightforward" issues would now begin. He offered a further round of talks on other aspects. But an official Chinese account said: "Facts show that the British side left the negotiating table in a huff."

Two days after he unveiled his proposals, Mr Patten set out his own definition of failure. "I think above all being thought not to have recognised our moral as well as political responsibility for the way of life of the people of Hong Kong," the governor said. "But it would also be failure if I wasn't able to persuade China that Hong Kong is mature, sophisticated, modest in its political ambitions and capable of doing a lot more to look after its own affairs. I would have failed if I hadn't been able to persuade China that politics in a free society is no threat ... But I may well fail."


Tiananmen Square protests: 1989

150 years of confrontation

1839
China, in move to suppress opium trade, blockades foreign merchants in Guangzhou and forces them to surrender 1,400 tons of opium stocks. Merchants withdraw to Hong Kong harbour under naval protection.

1840
Britain sends expeditionary force to open Chinese ports to trade, demand apology and compensation for lost opium. Lord Palmerston, foreign secretary, demands "satisfaction for the past and security for the future".

1841
Agreement between British and Chinese officials, later rejected by both governments, cedes Hong Kong to Britain - which had not been demanded by London - but fails to open Chinese ports. Before rejection of deal is known, British naval force occupies Hong Kong island on January 26 and raises flag. Jardine Matheson begins building first warehouse. Sir Henry Pottinger sent to take charge of expeditionary force and secure full British demands.

1842
Lord Aberdeen, new foreign secretary, instructs that islands acquired in course of war are "not to be regarded in the light of a permanent conquest". Pottinger replies that "this settlement (Hong Kong) has already advanced too far to admit of its being restored to the authority of the (Chinese) Emperor consistently with the honour...of Her Majesty's Crown". In Treaty of Nanjing, later ratified by both governments, Pottinger secures opening of ports of Xiamen, Fuzhou, Ningbo and Shanghai, 21m dollars compensation for the lost opium and cession of Hong Kong island in perpetuity because the British needed "a port whereat they may careen and refit their ships". Pottinger becomes first governor.


Henry Pottinger


Patten says talks must be concluded within weeks: 1993

1860
Kowloon peninsula ceded to Britain under Convention of Beijing.

1898
New Territories leased to Britain for 99 years. Lease expires June 30, 1997.

1979
China's leader Deng Xiaoping meets governor Sir Murray MacLehose, tells him investors in Hong Kong should "set their hearts at ease". Says China has sovereignty over Hong Kong but that Hong Kong would have a "special position" as part of China. A negotiated settlement should be based on these principles. Hong Kong would continue to practise its capitalist system for a considerable time.

1982
Deng meets UK Prime Minister Margaret Thatcher in Beijing, rejects her proposal of continued British administration of Hong Kong after 1997 but agrees to begin negotiations. Says China will take back the whole area of Hong Kong in 1997 but will adopt special policies to ensure its continued prosperity.

1983
Thatcher, in message to Prime Minister Zhao Ziyang, says in March she would accept transfer of sovereignty if an acceptable settlement was reached. In October, after four fruitless rounds of talks, Thatcher, UK ministers, governor Edward Youde and Hong Kong Executive Council members agree in London to shelve Britain's insistence on administering Hong Kong after 1997. Britain will explore China's blueprint for Hong Kong.

1984
China urges in February adoption of protocol giving it a substantial role in Hong Kong in the transition period before 1997. Jardine Matheson says in March it will move its domicile to Bermuda. In meetings with Deng in April and July, Sir Geoffrey Howe, UK foreign secretary, persuades him treaty should be detailed document and that the Joint Liaison Group proposed by China for pre-1997 period should play less prominent role. On September 26, after 22 rounds of formal talks, Sino-British Joint Declaration on Hong Kong is initialled. On December 19, Thatcher and Zhao sign Joint Declaration in the Great Hall of the People. Hong Kong is to become a Special Administrative Region of China in 1997, enjoying a "high degree of autonomy, except in foreign and defence affairs". Hong Kong to keep its economic system, separate customs status and independent finances. Rights and freedoms, including those of speech, press and assembly, to be ensured by SAR's own laws. China's policies to be enshrined in Basic Law for the SAR and "will remain unchanged for 50 years".

Thatcher and Zhao open negotiations: 1982

1989
Hundreds of thousands march in Hong Kong on June 4 in protest at killings in Beijing's Tiananmen Square. Sino-British relations worsen. Hong Kong people demand faster democracy. In October, governor David Wilson announces Hong Kong will build a new airport. Britain says it will give passports to some Hong Kong residents and Hong Kong will have Bill of Rights.

1990
After negotiations in Beijing, Britain accepts pace of democracy slower than demanded by Hong Kong campaigners. Legislative Council (LegCo) to have 18 out of 60 seats directly elected in 1991, 20 in 1995, 24 in 1999 and 30 in 2003. China promulgates post-1997 Basic Law for Hong Kong.

1991
After long dispute over Chinese objections to airport plan, Britain and China reach agreement allowing it to proceed. UK Prime Minister John Major visits Beijing in September to sign memorandum of understanding on airport. Airport financing plans subsequently stalled again by Chinese refusal to endorse them.

1992
Governor Chris Patten announces in October plan to broaden franchise of indirectly-elected LegCo seats and make local government all directly elected. He seeks discussions with Beijing. China refuses and promises to reverse Patten reforms if enacted.

1993
After failure of "talks about talks", Patten "gazettes" reform bill in March but does not submit it to LegCo. Talks begin in April, then break down in November after 17 rounds. Patten submits partial reform bill to LegCo on December 15.

Alexander Nicoll

Sources: A History of Hong Kong by G.B. Endacott; The End of Hong Kong by Robert Cottrell; Financial Times

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Hwang In-sung (left): quit with cabinet over rice imports Reuter

S Korean PM and cabinet resign

By John Burton in Seoul

The official who led a recent extensive investigation of bureaucratic corruption in South Korea was named yesterday as the country's new prime minister.

Mr Lee Hoi-chang, the chairman of the government's board of audit and inspection (BAI), was appointed by President Kim Young-sam after the entire cabinet led by Mr Hwang In-sung, prime minister, resigned due to a controversy over rice imports.

Mr Kim's announcement last week that Korea would open its rice market as part of the Gatt talks has provoked daily street demonstrations. Political analysts fault the government for having done little to prepare the public for the decision, which broke a presidential campaign promise to protect the nation's rice farmers from imports.

The choice of Mr Lee as prime minister was immediately approved by the national assembly and a new cabinet is expected to be formed by the end of the week.

Those who are likely to be replaced include Mr Lee Kyung-shik, the deputy prime minister for economic affairs, and Mr Kwon Young-hae, the defence minister, whose agency was a prime target of the new prime minister's anti-corruption probes.

An estimated 3,000 government officials have been removed as a result of the corruption investigation that BAI has conducted since President Kim, who promised bureaucratic reform, was inaugurated in February.

Mr Lee served two terms on the supreme court since 1981 before heading BAI this year.

● Mr Boutros Boutros Ghali, United Nations secretary general, has said he is going to North Korea on a fact-finding mission only and does not need the approval of the US or any other country, Reuter adds.

The US has been noticeably cool about his visit, with State Department officials neither endorsing nor publicly opposing it. Mr Boutros Ghali said he did not intend to mediate in the crisis over North Korea's refusal to allow international inspections of its nuclear facilities.

"If there is anything I can offer to the member states, to the Security Council, I will do so," he said. "But I have no mandate and I will not do any kind of mediation."

North Korea yesterday sounded the alarm over what it sees as growing clamour in the US for war at a time when the two countries are in confrontation over nuclear inspection.

The official press carried attacks on Washington hardliners who, the official Rodong Sinmun daily said, seemed bent on destroying chances for a negotiated settlement.

Japanese money supply rise lower than expected at 1.5%

By Robert Thomson in Tokyo

Money supply in Japan expanded by a slower than expected 1.5 per cent in November, compared with a year earlier, indicating that business activity in the country remains sluggish and that the economy appears to have turned down during the past two months.

The average balance of M2 plus certificates of deposit had grown by 1.8 per cent in October, and the Bank of Japan was hoping that the November rate would at least equal that figure.

Japan's industrial production index for October was revised down yesterday by the Ministry of International Trade and Industry, which said the fall in production was 5.5 per cent against a month earlier, down from a provisional decrease of 5.1 per cent.

The decline in the shipment index was also revised from 5.6 per cent to 6.0 per cent, while the inventory index was said to have fallen by 0.5 per cent, instead of the provisionally reported 0.4 per cent.

Gathering signs that the economy is weakening are increasing pressure on the coalition government to announce another package of stimulatory measures in coming weeks.

However, the finance ministry has opposed the suggestion, insisting that the country cannot afford another package and that the economy is on course for recovery sometime next year.

The Japan Iron and Steel Federation gave an indication of the difficulties ahead by forecasting that steel production in the year from April is likely to slip to between 90m and 92m tonnes, the lowest level since 1970, and a sharp fall from the 96.5m tonnes which is expected this year.

Steel companies expect demand to remain weak from core customers, including the automotive and construction industries, but based their forecast on the understanding that Japan's economy would expand next year by 0.5 per cent, a relatively optimistic target.

OBITUARY: KAKUEI TANAKA

Man who crafted faction rule

Mr Kakuei Tanaka, in whose image modern Japanese politics was crafted, died aged 75 in Tokyo yesterday after a long illness, which had cut short his career but had also ensured he would not be jailed for his involvement in a bribery scandal.

The gravel-voiced Mr Tanaka dominated Japanese politics during the 1970s and 1980s, when he perfected the faction system of the Liberal Democratic party, which ruled the country for four decades until this year and served as the conduit between business and the bureaucracy.

Popularly known as the "computerised bulldozer" for his straight-talking determination and ability to calculate cost and benefit, Mr Tanaka's fund-raising powers allowed him to reward generously his supporters and constituents, ensuring his faction was the most influential in the LDP.

Newly-elected politicians sought his patronage and promised him loyalty. Mr Morihiro Hosokawa, the current prime minister, is a former member of the Tanaka faction, and the coalition government's kingmaker, Mr Ichiro Ozawa, learned his political skills in the company of Mr Tanaka and carried on the Tanaka tradition of fund-raising.

Mr Tanaka's organisational ability and his financial resources ensured his power even increased after his resignation as prime minister in late 1974, when his personal finances were the stuff of public scandal after the "black fog" was lifted by a Japanese magazine.

Reuter

Two years later, the "shadow shogun" was arrested on suspicion of accepting Y500m (£3.1m) in bribes, and he was sentenced to four years' jail in 1983. An appeal against his conviction was pending when he died.

But the troubles with the law did not diminish his popularity in his home prefecture of Niigata, where he was consistently re-elected. His speeches were laced with references to his humble origins and his love of his home town, while his lack of a university education was popularly regarded as an antidote to the arrogance of the Tokyo University graduates who controlled the capital.

Campaigning in 1946, Mr Tanaka promised he would level the mountains hemming in his home prefecture; "then we shall have no more of the heavy snowfalls that have tormented us for centuries". On later becoming a minister, he refused to attend the lecture provided by bureaucrats for education of the incoming politician.

It was said there was a little bit of Mr Tanaka in every Japanese, that he represented the embodiment of old rural values in the post-war political world. He had a habit of wearing traditional wooden sandals with his business suit, and his rough-and-ready speaking style conjured images of the crude but endearing rice farmer.

But Mr Tanaka's later life, spent in a comfortable Tokyo compound complete with pond jumping with Yim carp, was far removed from that of the common man, and the earthy campaigning style became in part affectation. He was increasingly consumed by political intrigue, and his considerable personal wealth became an ever larger target for public criticism.

Mr Tanaka began his business life in the construction industry, and Tanaka Civil Engineering profited during the war, when poor health led to his discharge from the army. His links to the construction and transport industries allowed him to build the network of political influence, fuelled by money from companies grateful for receiving lucrative public contracts.

His first skirmish with scandal came in 1948, when he resigned as vice-minister of justice after allegations that he accepted bribes from coal mining companies. But he returned as minister for postal services and communications in 1957, later serving as finance and trade minister, when he collected ideas for a grand plan to "remodel the Japanese archipelago".

Mr Tanaka was felled by a stroke in 1985 but did not retire from politics until 1989. His former associates fought over control of his faction; his daughter Makiko reformed his supporters' group this year, being elected to the Lower House.

As with Mr Richard Nixon, the former US president, the sins of Mr Tanaka were overlooked by the Chinese government, which remembered him fondly for travelling to Beijing to normalise relations in 1972. China last night "deeply mourned" his passing.

RT

Hosokawa chalks up after-hours gains

Robert Thomson on Japan PM's growing list of hard-won achievements

The nocturnal habits of Morihiro Hosokawa are the talk of Tokyo. Not that Japan's prime minister is entangled in the sort of geisha scandal that embarrassed a predecessor, but his after-hours administration is prone to announcing its most important decisions past midnight.

A solemn Mr Hososkawa addressed a sleeping nation at 3.51am on Tuesday when the seven party-coalition agreed that the country's rice market should be opened to imports for the greater international good. The government's decision last month to push ahead with political reform came in the early hours and, on Wednesday night, fatigued legislators endured another long evening of bargaining over an extension of the parliamentary session.

With the extension rammed through, Mr Hosokawa faces another 45 days of late-night legislating, as the government intends to use the period to win approval from a divided upper house for political reforms. The prime minister has also extended his own deadline, having once promised to resign if those reforms were not in place by the end of the year.

Hours of haggling with the opposition Liberal Democratic party and within the coalition give the impression of indecision, but Mr Hosokawa is accumulating a list of honourable achievements. The rice market is open, the first stage of political reform is close to completion, and the government has already produced one stimulatory package for an ailing economy and is contemplating another.

The changes in prime ministerial form are also significant. Apart from the unusual timing of his rice announcement, Mr Hosokawa caused a stir by using a tele-prompter for the speech. Inevitable comparisons were made with the US presidential preference for using such aids, but the point of improving eye contact with the populace was understood.

For a coalition apparently ready to buckle at any moment under the weight of philosophical differences among its seven member parties, the Hosokawa administration remains remarkably popular. Since taking office in August, by the reckoning of most media polls, his cabinet has maintained an approval rating of just above 70 per cent. A poll this week suggested it had slipped to 62.8 per cent, but another put it at 71.7 per cent after the decision to open the rice market.

If the government's image was harmed by the rice debate, it was because of the public bickering of the Social Democratic party, formerly the Japan Socialist party, the largest group within the coalition.

Divisions are widening between the SDP's left wing and the party pragmatists who want to hold the coalition together. The left wing argues that political reform will favour the LDP and that membership of the coalition has prompted the SDP to abandon its principles for the sake of a short stay in power.

If the SDP withdraws, the coalition government will fall, but a snap election would be inconvenient for all, including the LDP, which has an approval rating of 28 per cent and would prefer that the public becomes disillusioned with Mr Hosokawa before votes are cast again.

Having attempted to distinguish himself from past prime ministers by running a clean coalition, Mr Hosokawa's reputation has been damaged most by repeated questions in parliament from LDP legislators about his alleged receipt of Y100m (£628,900) in loans from Sagawa Kyubin, a trucking company at the centre of a bribery scandal.

LDP officials could soon be looking for a new leader, as Mr Yohei Kono, its president, has seen his standing diminished by an inability to control the party's factions and by public disapproval of the time-wasting tactics in parliament.

Mr Masaharu Gotoda, 79, the LDP's elder statesman and a former justice minister, thinks Mr Hosokawa "still has a favourable wind, though the direction of the wind is shifting". He argues that the LDP must become "more serious", meaning that he wants fewer late nights in parliament.

President of Fiji dies of leukaemia

Ratu Sir Penaia Ganilau of Fiji, thrust unwillingly into the world spotlight by the Pacific island nation's two military coups of 1987, has died while undergoing treatment for leukaemia in the US, Reuter reports from Suva.

His death, at 75, brought a new note of uncertainty to Fijian politics ahead of elections in February.

His deputy, Ratu Sir Kamisese Mara, acting president since Sir Penaia was flown to the US last month, was expected to succeed him as head of state.

Sir Penaia was appointed in 1983 as governor-general, the representative of the Crown. Fiji's 1987 election delivered

Ratu Sir Penaia Ganilau: thrust into world spotlight

unprecedented political power to the Indian-led Labour party coalition, triggering a military coup by then Colonel Sitiveni Rabuka which replaced it with an indigenous Fijian-dominated government.

A tense stand-off ensued but Sir Penaia, nominally head of the armed forces, finally accepted the new regime, bringing criticism from Britain and other Commonwealth nations which in turn prompted Mr Rabuka to declare Fiji a republic.

Sir Penaia accepted a role as the nation's first president and, for five years while a new constitution was drawn up to guarantee political supremacy to indigenous Fijians, he sought to cool the divisions in Fiji's multi-racial society.

The president has wide powers and plays a key role in the appointment of a prime minister. Under Fiji's racially based constitution, a successor will be chosen by Fiji's Great Council of Chiefs, and must be an indigenous Fijian.

Indians, who were brought to Fiji at the turn of the century to work on sugar plantations, make up just under half of Fiji's 750,000 population.

Afrikaners and Zulus denounce new S Africa

By Patti Waldmeir at Isandlwana

Afrikaners and the Zulus, South Africa's two most powerful ethnic groups, yesterday gathered at two 19th-century battlefields in Natal – site of their greatest military triumphs – to denounce the new South Africa and vow to resist it, with force if necessary.

While the African National Congress staged a show of force in Soweto to mark the anniversary of the formation of its military wing Umkhonto we Sizwe (Spear of the Nation), hundreds of miles away in Zululand the ANC's main rival, Chief Mangosuthu Buthelezi's Inkatha Freedom party, celebrated the victory of Zulus armed with spears and sticks over the military might of the British empire, in the 1879 battle of Isandlwana.

Some 10,000 Zulus, almost all carrying the same weapons which humbled the British – the assegai (spear), knobkerrie (club) and shield – roared their approval as Zulu King Goodwill Zwelithini called on them to prepare for war.

As the crowd bristled with menace, King Goodwill urged them to "let the valour and the honour that led to the defeat of the British in this place in 1879, rise up to claim Zulu warriors" at the Zulu nation's darkest hour. "Resist, I command you, resist, I implore you. We will not be ruled by a constitution we spurn. We will not be subjugated by a political party which wants to destroy us simply because it wants to rule," he added, in a reference to the ANC.

Some 50km away at Blood River, site of the legendary 1838 battle in which 470 Voortrekkers (Afrikaner pioneers) triumphed over 10,000 Zulus, the Afrikaner leader, retired Gen Constand Viljoen, used the anniversary to deliver a far less militant message. But he used the same imagery of darkness and danger to evoke the threat felt by Afrikaners.

It was as though Zulus and Boers, the two groups who feel most threatened by the new South Africa, were making a symbolic retreat to the site of their greatest military victories to draw strength for the battle ahead.

Addressing 1,500 people, few with obvious weapons, Gen Viljoen said "the darkest hour of the darkest night" had descended on the Afrikaner nation.

The Afrikaner must draw lessons from Blood River to avoid defeat, he said. The Voortrekkers had called on God to defend them, swearing a sacred vow to honour him if they were spared; their descendants should do the same.

"If you give us victory over the darkness which now faces us, we will renew and reaffirm that vow," he said.

Gen Viljoen believed battle could be averted. Not so Mr Eugene Terreblanche, leader of the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement), who told 3,000 supporters Mr Nelson Mandela, ANC leader, wanted war, "and he shall have it".

PLO warns that peace process could be frozen

By Roger Matthews, Middle East Editor

A senior member of the Palestine Liberation Organisation warned yesterday the peace process would be frozen if Israel did not allow Palestinians to control the border crossing points in the Gaza Strip and the West Bank town of Jericho after Israeli troops withdraw.

Mr Yasir Abed Rabbo, a PLO executive committee member, said in Tunis: "Either there will be a true Israeli withdrawal and true Palestinian control on land and passages, or we will face an Israeli interpretation of the peace deal less than autonomy; that means hindering the peace process." In that case, "the peace process will be frozen."

In Jerusalem, Mr Gad Ben-Ari, spokesman for Premier Yitzhak Rabin, said it was impossible for Israel to compromise. "It was made clear to PLO chairman Yassir Arafat that if we do not have full control over the borders, bridges and checkpoints, we would have no control over who is entering Israel. That is why this is inconceivable."

Mr Ben-Ari denied an Israeli press report that Mr Rabin would refuse to meet Mr Arafat until he backed down, but said no date had yet been fixed for the two men to meet. After last Sunday's summit in Cairo failed, the two leaders said they hoped to meet again in 10 days to iron out their difficulties.

Israel's foreign minister Shimon Peres suggested in Paris yesterday the possibility of allowing Palestinian observers at the border crossings. "If it is just a question of a Palestinian presence on the [Jordan River] bridge, I think we can find a solution. But there must be someone responsible for the border. You cannot have one border and two responsibilities."

Mr Peres reported progress in economic co-operation talks between the area of future Palestinian self-rule and Israel. "I think the Palestinians agree with us today to create a market economy, an open economy with no border with free movement of goods and trade between the two of us." Problems remained over the territories' Currency.

Populous countries learn education lesson

By Stefan Wagstyl

The governments of the nine most populous developing countries yesterday pledged to provide their children with universal education "by the year 2000 or at the earliest possible moment".

Their promises, delivered in New Delhi at an international education summit sponsored by the United Nations, were in themselves little more than statements of good intent.

However, reports presented to the summit showed that in most of the nine states the past few years have seen marked improvements in literacy rates and in the numbers of children going to school.

The nine nations – China, India, Indonesia, Nigeria, Brazil, Pakistan, Bangladesh, Mexico and Egypt – together account for half the global population and 70 per cent of all adult illiterates. If the experience of more developed nations is any guide, the progress made in education will help cut population expansion and boost economic growth.

The Education for All Summit was robbed of some of its political impact by last-minute cancellations by leaders who had planned to attend. President Suharto of Indonesia was the only guest government head who signed the summit declaration alongside his host, Mr P V Narasimha Rao, the Indian prime minister. China was represented by a vice-premier and other nations by education ministers.

Many of the nine countries' problems are similar, especially shortages of money, teachers, schools and materials. All face difficulties reaching children in remote rural districts and in persuading parents to send daughters to school as well as sons, and all have many adult illiterates.

In the past three years, in every country education budgets have been increased, though in some the gains have been limited by subsequent cuts or by inflation.

Mr James Grant, the executive director of Unicef, says this renewed commitment is due partly to the world-wide Education for All campaign launched by UN organisations in 1990 and partly to the growing realisation that economic growth and population control can best be achieved by promoting education. "Everyone is learning from east Asia," he says.

THE EDUCATION CHALLENGE

	GNP $ per capita	Literacy %	Net enrolment for primary schooling %	Children reaching 4th year %
Brazil	2,680	81	88	47
Mexico	2,490	87	98	81
Egypt	600	48	91	99
Indonesia	560	77	97	89
Pakistan	380	35	29	59
China	370	73	99	86
India	350	52	66	61
Nigeria	270	51	59	67
Bangladesh	200	35	63	52

Sources: Unesco and Unicef, based on national reports

However, the differences between individual countries are as important as the similarities. The summit reports describe some glaring gaps in achievement which are likely to get bigger before they get smaller, and may not shrink at all without radical policy changes in the laggard states. As a principal summit document says: "To present the choice as now or never may over-dramatise it, but not by much."

Statistics are gathered from education ministries which often tend to exaggerate achievements. Nevertheless, the overall trends are clear.

Mexico, Brazil, Indonesia, and China have seen adult literacy rates soar in the past decade to 70 per cent and above. The same countries already have 85 per cent or more of the children of primary school age enrolled.

Enrolment rates in Egypt are also creditable, though few experts believe the official figure of 91 per cent and estimate the true figure is nearer 70 per cent. Brazil's high enrolment rate, which indicates how many youngsters start school, needs to be qualified by the fact that only 47 per cent complete three years.

Unicef commends India for raising adult literacy above the 50 per cent mark. Despite having one of the world's best-educated elites, India for long neglected mass education, partly out of a lack of concern for promoting the interests of the lowest castes. But the sight of east Asian countries forging ahead in economic development prodded India into action.

Unicef is also satisfied that Bangladesh, despite its poor literacy rating and its endemic poverty, has in the last two years under the premiership of Mrs Khaleda Zia shown determination to get children, especially girls, into school. The percentage of girls of primary school age enrolled at school has risen in the past decade from 45 to 64. The Bangladesh Rural Advancement Committee, the largest non-government organisation, has won international renown as a pioneer in out-of-hours education for children who work or cannot attend regular school.

The two countries that arouse the greatest concern are Pakistan and Nigeria, where a decade of political turmoil and financial pressures have left schools under-funded and demoralised. In Pakistan only 29 per cent of children are even enrolled in primary schools, and less than 20 per cent of girls. The diversion of funds from social to military spending, political upheaval, and moves to cut so-called "western" influences in education and promote Islamic ones have all played their part in disrupting Pakistan's schooling.

The summit papers show the contrast between Nigeria and another oil-rich country, Indonesia, which invested its revenues more wisely. Even though Indonesia lacked deep-rooted educational traditions, its post-colonial rulers have made mass education a priority and "transformed education from the privilege of a tiny minority into a right enjoyed by nearly all", says the report.

Ms Fay Chung, Unicef's chief education officer and a former education minister of Zimbabwe, says the most important determinant of success is not money but "long-term political commitment". The great enemy is political instability.

Defence problems outlast Aspin

Jurek Martin and George Graham on a tough job at the Pentagon

Both President Bill Clinton and Mr Les Aspin were immensely correct and mutually complimentary on Wednesday evening when Mr Aspin's resignation as US defence secretary was announced. Difficult though his tenure had often been, there seems to have been no specific last straw policy disagreement or overriding personal circumstance that prompted him to go.

Mr Aspin, who had a heart pacemaker inserted earlier this year, had dealt with much controversy. The list includes ending the ban on homosexuals serving in the military and giving women front-line combat roles, the decision not to send additional US heavy armour to Somalia before the October Mogadishu firefight, the "Bottom-Up Review" of the US military entailing substantial real reductions in the defence budget, the "partnership for peace" approach to European security, base closures, cutting the reserves and more besides.

Much of this will not be undone, and much of it owes a great deal to Mr Aspin's sense of how far the Congress could be pushed in any direction.

Although some of his former congressional colleagues suspected him of ceding too much to the military leadership over the force structure issue and over the compromise he worked out for allowing gay men and lesbians to serve in the armed forces, others believe he accurately assessed the point where compromise could be reached.

The political costs, however, were heavy, outside and inside the Pentagon. He inherited a defence department coming off more than a decade of military build-up, plus the victory in the Gulf war and, very content with the compatible leadership of Dick Cheney, the previous secretary, and General Colin Powell, who retired in late summer as chairman of the joint chiefs of staff.

The Aspin style, brought over from 22 years in Congress, was entirely different. Though his intellect and military expertise commanded respect, he was often disorganised, curious and theoretical, qualities directly at odds with a structured military mind accustomed to taking clear orders. A bevy of similarly-minded senior advisers meant that the civilian command of the US military was sometimes dismissed by the top brass as "Aspin University".

Paradoxically, he became a target of Congress because he did not behave like a classic defence secretary.

Mr Clinton's insistence on collegiality may have been a constraining factor to such a free thinker. Mr Aspin may also feel he suffered from a lack of clear and consistent foreign policy direction from a president whose own expertise was primarily domestic.

But the net effect was that the foreign policy triumvirate – Warren Christopher, the secretary of state, Anthony Lake, the national security adviser, and Mr Aspin – was under constant attack as things went wrong. The Aspin weakness was that he was never as close to the president as the other two, whose trust had been earned in the heat of a presidential election campaign.

Thus it might well have been, as Washington thinks, that he was pushed out of the Pentagon because he sensed he had lost the absolute confidence of the president.

With Mr Aspin's departure, however, the whole question is re-opened of how the US armed forces should be structured to face post-Cold war threats, a question he had sought to deal with in the Bottom Up Review, whose results he announced three months ago.

In recent weeks, Mr Aspin has been at odds with the White House over a \$50bn (£33.5bn) gap between the amount allocated to defence by the Office of Management and Budget over the next five years and the Pentagon's estimate of what it needs to pay for the force structure settled on, with President Clinton's blessing, in the Bottom Up Review.

Even if this was not the last straw provoking Mr Aspin's departure, it is an issue that will not go away for his successor, retired Admiral Bobby Ray Inman.

Some military analysts foresee even greater financial problems in the long term if the Pentagon sticks to the strategy outlined in the Bottom Up Review.

Mr Andrew Krepinevich of the Defence Budget Project, a Washington think tank, estimates that the Clinton budget could fall as much \$30bn or \$40bn a year short of the requirements of the Bottom Up Review.

While many defence analysts found the Review to be a solid intellectual exercise, some thought its results had been determined by its premises, which sought to maximise the possible threats the US might face and so to justify a larger military structure than might otherwise have seemed necessary.

The Bottom Up Review's very terms of reference called for "a thorough and compelling list of New Dangers", which led to the conclusion that the US had to be ready to fight two nearly simultaneous big regional conflicts.

"It was overkill – a way of justifying a major military structure by inventing demons," said Rear Admiral Eugene Carroll, who heads the Centre for Defence Information, a Washington research organisation.

Some Democrats in the administration and in Congress – including Mr Aspin's successor as chairman of the House of Representatives armed services committee, Mr Ron Dellums – were irked that a fundamental rethinking of Washington's military posture to face up to Iraq and North Korea could shave so little off a defence budget built to confront the full might of the Warsaw Pact.

Admiral Inman could seek further budget cuts within the Bottom Up framework, or he could look for an entirely new assessment of force structure needs. But unless Russia's election results provoke a lasting shift in attitudes towards defence spending, he is unlikely to be able to preserve his budget at its current \$260bn a year level.

Defence Secretary Les Aspin (right) with Gen. Colin Powell, former chairman of US joint chiefs of staff Associated Press

Bentsen calls for single bank regulator

By Richard Waters in New York

Mr Lloyd Bentsen, US Treasury secretary, said yesterday he would press on with plans to bring all responsibility for bank regulation under a single body, despite harsh criticism of the plan from Federal Reserve chairman Alan Greenspan.

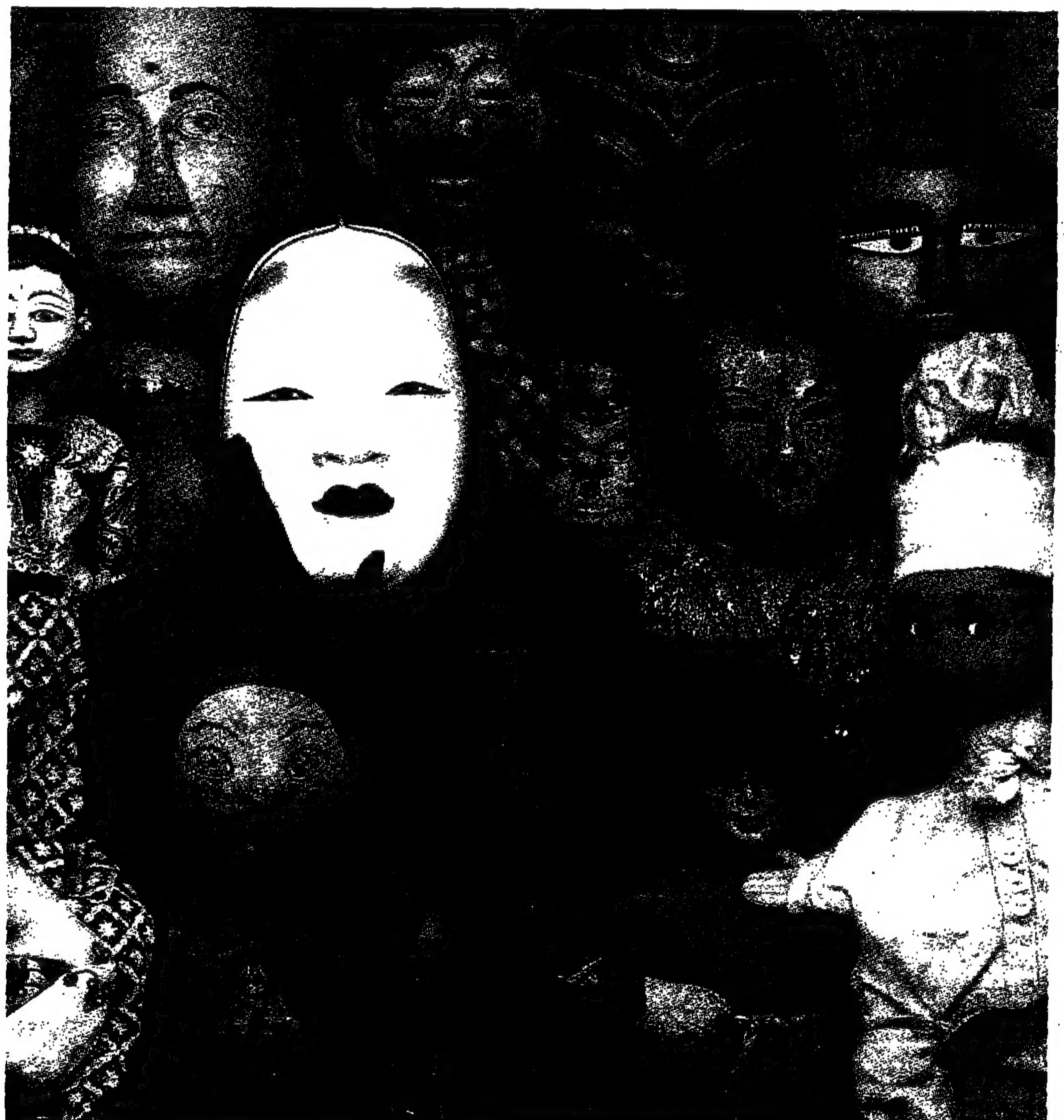
Mr Greenspan had claimed that the plan, which would strip the Fed of direct involvement in bank regulation, would make it harder for the central bank to carry out its other functions.

In response, Mr Bentsen said yesterday: "Bank regulation is not essential to the conduct of monetary policy." Under the Clinton administration's proposed new regulatory system, the Fed would "retain its existing authority over the discount window and payment system," he added.

The Fed fears that, if stripped of regulation, it will no longer have immediate first-hand knowledge of commercial banks' activities, making it difficult to judge how banks are responding to changes in monetary policy.

Mr Bentsen said, though, that the proposed new Federal Banking Commission would make all information available to the Fed, allowing it to do its job unhindered.

"We have carefully considered the Fed's arguments, but we find them unpersuasive," he said.



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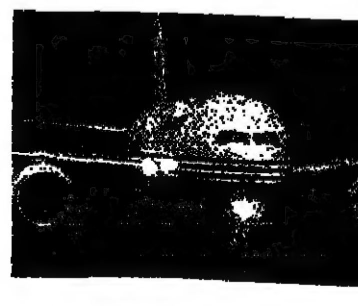

BOEING

Argentine city hit by protests over jobs

By John Barham in Buenos Aires

Rioters rampaged through the capital of Argentina's impoverished north-western province of Santiago del Estero yesterday in protest at the local government's plan to cut jobs.

Armed demonstrators broke into the governor's palace and pillaged the building. One of the rioters, reached by telephone in the governor's office by a Buenos Aires radio station, said, "We are all [dying] of hunger. We are in the office of some thief and we are breaking everything." Fires broke out in the building and soon after, rioters stormed the local court building and legislature. Mr Fernando Lobo, the recently appointed provincial governor, was able to escape amid the confusion and take refuge in police headquarters.

Earlier thousands of rioters and police traded gunfire, molotov cocktails, stones and tear gas. Two people are reported to have been killed and dozens injured.

This is the second, and most serious, recent outbreak of violence in Argentina's provinces. Last week, 45 people were hurt after protesters took to the streets of Rioja, the poverty-stricken home province of President Carlos Menem, forcing the local government to scale back plans to cut one-fifth of 50,000 public sector jobs.

The deteriorating economies of many provinces is emerging as one of Mr Menem's most pressing political and economic challenges. The federal government is demanding Argentina's 23 provinces reform their chaotic finances by cutting jobs, reducing spending and reforming their tax systems. They rely on tax transfers from Buenos Aires to cover two-thirds of their annual spending of \$20bn.

China and Japan skew US deficit

By Michael Prowse

The US trade deficit is becoming increasingly unbalanced regionally, with most of the shortfall accounted for by Japan and China, official figures indicated yesterday.

The overall merchandise trade deficit declined slightly in October, to \$10.46bn (£7bn), against \$10.62bn in September, roughly in line with analysts' projections.

However, the deficit with Japan rose 14 per cent to \$6.1bn, the highest level since November 1986. The deficit with China rose 8 per cent to \$2.7bn. For the year to date the combined deficit with Japan and China was \$67.6bn, more than two thirds of the overall deficit.

By contrast, trade with the European Union is virtually in balance, with a negligible US deficit of \$11m so far this year.

Packwood diary order

Senator Robert Packwood of Oregon has been ordered to hand over his diaries to a federal court until the judge decides whether the Senate may seize them for its investigation of Mr Packwood on charges of sexual harassment, George Graham writes.

Judge Thomas Penfield Jackson said he wanted temporary custody of the diaries – around 8,000 pages transcribed from tapes – in their entirety while he decided on a request by the Senate ethics committee for a court order compelling Mr Packwood to hand them over.

Mexico City rail contract awarded

By Damian Fraser in Mexico City

A consortium of Mexican construction companies and Bombardier, the Canadian transport group, has won the concession to build and operate an urban railway system in Mexico City at a cost of about \$650m (£436m).

The light railway will be the first large public transport project in Mexico that has been handed over to the private sector. The consortium will operate the railway for 18 years and eight months, collect all revenues from passengers, and assume financial risk of the investment.

The service will connect the north-west of Mexico City with the centre, cover about 21km and include 27 stations. It is estimated that the railway will take about 50,000 cars off the road each day, and help reduce Mexico City's notoriously high pollution levels.

The winning consortium is made up of Tribasa, Grupo Mexicano de Desarollo and Rioboo. Bombardier will supply about \$300m of the equipment and is expected to provide some of the financing through loans from Canadian banks and the country's export-import bank.

While Tribasa and its partners have been chosen by the government for the project, the terms and conditions of the contract still have to be negotiated and full financing obtained. However Tribasa did not foresee any problems that would prevent the project going ahead.

The train service should be ready by the end of 1996 or early 1997. Tribasa and partners are expected to charge users about \$1 per ride, much higher than the tariff on the subsidised and state-owned underground system. After the concession expires, the train service reverts to the government.

Tribasa reckons the government will award concessions for further light railway lines in Mexico City in the near future.

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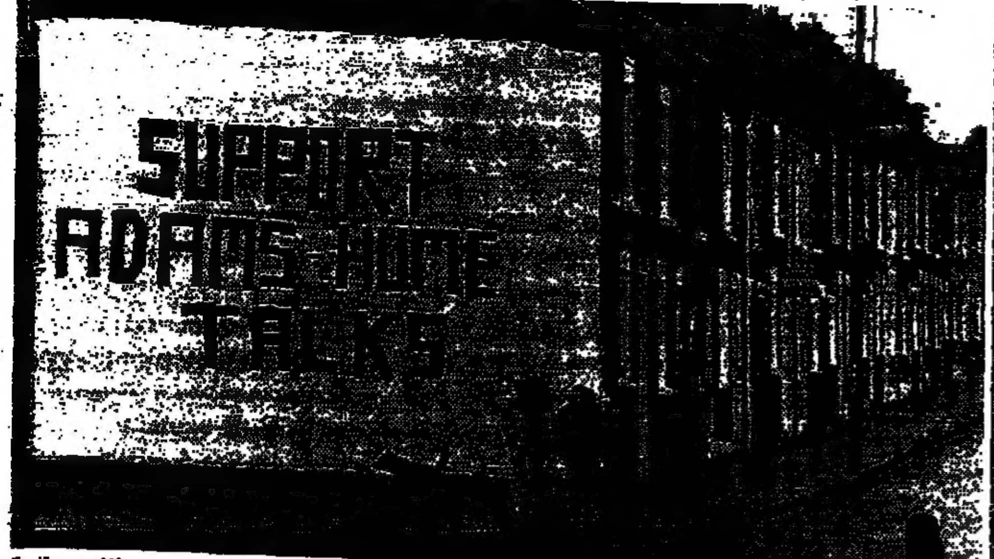

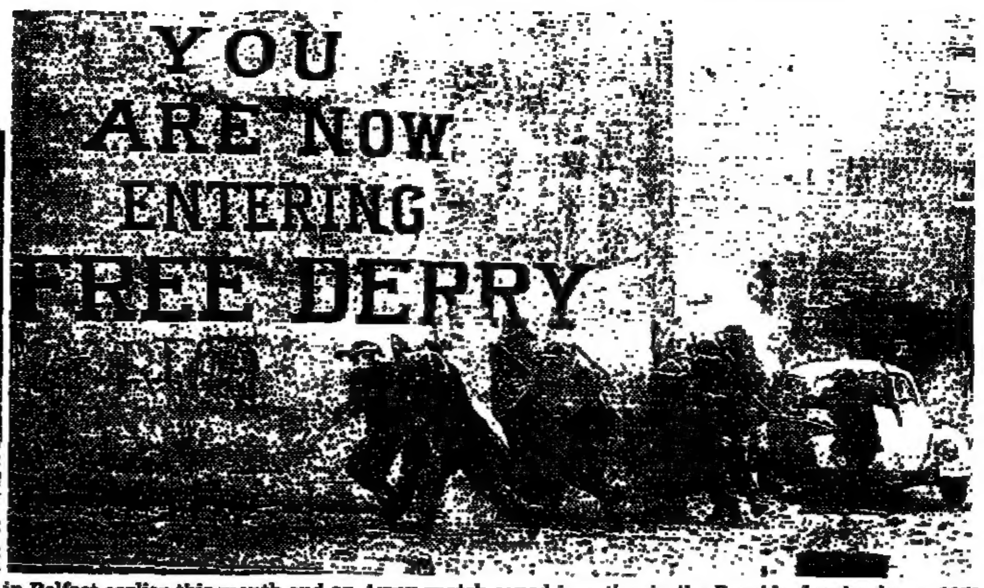

Is the writing on the wall ? Graffiti supporting the original Hume-Adams peace initiative pictured in Belfast earlier this month and an Army snatch squad in action in the Bogside, Londonderry, 1971

Sinn Féin keeps Ulster peace hopes alive

By David Owen and Kevin Brown

Hopes of peace in Northern Ireland were kept alive yesterday when Sinn Féin said it would take time to consider in detail its response to this week's peace initiative by Mr John Major and Mr Albert Reynolds.

As the British government sought to reassure unionists at Westminster by giving the go-ahead for a Northern Ireland parliamentary select committee, Mr Gerry Adams, president of the IRA's *political* wing, said there were "no quick fixes" to the province's problems.

He said the Downing Street Declaration was the product of "frenzied activity" by the two governments after his talks with Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party, had "focused them on this issue." He would be seeking clarification from Dublin on some aspects of Wednesday's statement.

Meanwhile at Westminster, Mr Major came under pressure from his own backbenches over whether the joint declaration diluted the government's commitment to the Union.

In an acid exchange, the prime minister clashed with Mr Norman Lamont, over the former chancellor's assertion that the declaration stood "a little oddly" with his speech to October's Conservative party conference.

In contrast to the cross-party plaudits in which the government had basked on Wednesday, there were further backbench rumblings in the wake of a signal from Sir Patrick Mayhew, Northern Ireland secretary, that the government might begin talks with Sinn Féin without waiting for the IRA to hand in its weapons. One Tory MP accused the government of giving in to the terrorists.

Downing Street said the select committee decision – which was announced yesterday by Mr Tony Newton, the Commons leader – was not related to the declaration on Northern Ireland, which was "on a separate track."

Officials said the decision – which was not communicated in advance to either Mr Reynolds or Mr James Molyneaux, the Ulster Unionist party leader – was taken by Mr Newton after consultation with Mr Major and Sir Patrick.

In spite of government denials, the announcement was widely seen as part of a deal to ensure acceptance of the declaration by the UUP, the largest unionist grouping.

The UUP has campaigned vigorously for the committee, which it believes will help bring government arrangements for Northern Ireland into line with the rest of the UK.

There were strong indications last week that the government thought an undertaking to set up the select committee would make unionists at Westminster less likely to reject the text of the joint declaration given on Wednesday by Mr Reynolds and Mr Major.

Talks possible before disarmament

By David Owen

The UK government was put on the defensive yesterday after Sir Patrick Mayhew, the Northern Ireland secretary, indicated it might enter preliminary dialogue with Sinn Féin without waiting for the IRA to hand in its weapons.

Sir Patrick's comments came less than 24 hours after Mr John Major, the prime minister, invited Sinn Féin to join the talks process within three months of an end to violence.

His remarks dismayed some Tory backbenchers, with one MP accusing the government of giving in to the terrorists.

Downing Street signalled that a secret message sent to the Provisionals on November 5, and made public later in the month, gave an indication of subjects the government would be prepared to address in exploratory meetings.

Officials acknowledged that while there was no question of an amnesty for IRA prisoners, *the sentence of any prisoner* could be reviewed under normal procedures which took account of whether criminals were likely to reoffend.

The four-page November 5 message set out three purposes for the exploratory dialogue that the government originally proposed entering into in January, in return for a permanent end to IRA violence.

These were:

- To explore the basis upon which Sinn Féin would come to be admitted to an "inclusive political talks process";
- *To exchange views on how* Sinn Féin would be able over a period to play the same part as the current *constitutional* parties in the public life of Northern Ireland; and
- To examine the practical consequences of the ending of violence.

At the first meeting of exploratory dialogue it was proposed that each party could field up to three delegates plus possibly an additional group of advisers.

Interviewed on BBC Radio Ulster, Sir Patrick said: "At exploratory talks it would be highly relevant as to when and how arms should be surrendered."

He said: "You cannot be sitting on top of arms and at the same time saying you are for real when you say that violence is at an end."

Separately, he signalled the government would not automatically say any deal with Sinn Féin was off if one bomb exploded during the interim three months.

Republicans move to avert split over response to plan

By Jimmy Burns in South Armagh

The IRA and its political wing Sinn Féin were yesterday continuing a tortuous series of consultations within their own ranks in an effort to avoid a damaging split emerging over the Major-Reynolds proposals.

Sinn Féin yesterday made its second statement in two days, underlining the need for more detailed consideration of the proposals and warning the public at large not to expect a "quick-fix" response from the IRA.

The Provisionals themselves had by last night yet to make a statement of their own, but hardline IRA members are believed to remain unconvinced that the pressures emanating from Dublin and London do not represent anything *more than an attempt to force* them into an unconditional military surrender that would *betray their support in the* Republican movement.

Yesterday in the IRA heartland of *South Armagh*, next to the Irish border, there was no doubting the enormous hurdles that are yet to be overcome *before peace is finally settled.*

In the staunchly Republican town of Crossmaglen, the only *war memorial is to the IRA* dead and Republican tricolours fly above the rooftops.

Army helicopters circled overhead, as troops ran through side streets, ducking and diving. Seven members of security forces have been shot by IRA snipers in the area in the last 12 months and the soldiers were in no mood to take chances.

One local security source said: "The prime ministers might have signed their peace deal, and the IRA army council might be considering it, but the terrorists on the ground are still waiting to kill us."

Among the people of Crossmaglen yesterday, a feeling of war-weariness was matched by a conviction that the IRA should not allow itself to be forced into a permanent ceasefire without further concessions *by the government.*

Local publican and former civil rights activist Paddy *Short said: "The terrorists here* are not the IRA but the British army. The troops should go back to barracks first."

Finding meaning between the lines

By Philip Stephens, Political Editor

The men of violence in Northern Ireland will be forgiven if they take some time to understand the Downing Street Declaration.

As one of the senior officials most closely involved in its drafting admitted this week, it *is not a document that would* win any prizes for plain English.

One of his Whitehall colleagues was less polite, describing the product of nearly two years of negotiation as "the most badly-written declaration in Anglo-Irish history .. and that's saying something".

The seven-page document released by the two prime ministers was the latest of more than 20 substantive drafts which had winged backwards and forwards from London and Dublin over the past few months. On Tuesday alone *four versions were made.*

The process started two years ago when Mr Reynolds met Mr Major in Downing Street. But the real work only got under way in the summer when the Irish prime minister sent a draft peace declaration to Mr Major.

Whitehall insiders were yesterday prepared to admit what their political masters would not. Although work was going on before Mr John Hume of the SDLP started his talks with Mr *Gerry Adams of Sinn Féin*, the Hume-Adams initiative provided decisive impetus towards *an agreement.*

So too did the British government's own clandestine contacts with Sinn Féin.

Mr Major's meeting in Brussels with Reynolds in October provided the first breakthrough with an agreed statement of general principle and an explicit call for an end to violence.

The key passages relating to unionist consent, self-determination, changes to the Irish constitution, and the establish*ment of an all-Ireland Forum* all at one stage threatened the negotiations.

Sinn Féin might profit from the advice of one of its authors. To understand it: "You must read every sentence as a whole, every paragraph as a whole and then the statement as a whole".

Britain in brief

37% under Europe pay threshold

Over a third of the British workforce (37 per cent) now earns less than the Council of Europe's decency threshold of *£5.75 an hour compared with* 28.3 per cent in 1979, according to the latest report from *Britain's Low Pay Unit.*

The Unit also says that those in the bottom tenth of the *earnings league now earn just* 30 per cent of the earnings of those in the top tenth.

There has been a *particularly* sharp fall in the pay of young people since the abolition of minimum wage protection in 1986. 18-20 year olds now earn less than half the adult average wage, compared with 60.8 per cent in 1979.

Independent seeks funds

Directors of The Independent newspaper will decide next week on a comprehensive business plan for the future which will involve a "redefinition" of the paper and a multi-million pound refinancing.

The statement by Newspaper Publishing would appear to rule out a takeover by either *Associated Newspapers* or Mirror Group Newspapers, both of which have expressed an interest.

This holds out the possibility that existing shareholders, *including El Pais of Spain, and* La Repubblica of Italy, could finance the new business plan *without the need for new* shareholders or a drastic change of ownership.

Fuel levy to be frozen for 1994

The fossil fuel levy, the surcharge on electricity bills which subsidises the nuclear power industry and renewable energy, is to be held at ten per cent for another year to avoid a further row over rising fuel bills.

Prof. Stephen Littlechild, the electricity regulator, who has to set the levy each year, said he considered this level to be the minimum necessary to raise the required funds, which amount to about £1.3bn a year.

In the past Prof. Littlechild *has said that he thinks the* levy should come down each year. Last year he cut it from *11 per cent. However last* year's cut meant that the levy did not raise enough money to *cover the required subsidies.* The Department of Trade and Industry, shaken by the row over the decision to impose VAT on home heating fuels, is said to have rejected raising it this year and told him to freeze it instead.

May Day to stay as holiday

May Day bank holiday is to be retained after a UK govern*ment decision to reverse plans* to scrap the "socialist" day off, it was announced yesterday.

The change of heart follows a campaign by British industry not to switch the holiday to *October because of the disrup*tion it would cause to production between the August bank *holiday and Christmas.*

Ford suspends night shifts

Ford, faced with sharply lower demand in Continental car *markets, is to suspend night* shift operations throughout January at its Halewood plant on *Merseyside.* The plant, which makes the Escort, has already been badly hit by the Continental downturn and has been on a three-day week since November 25.

Its 4,700 hourly-paid workers will resume five-day working when they return after the *Christmas break on January 5* but suspending the night shift will reduce daily output from 1,000 cars to around 600.

This means lost production of some 6,500 cars for the whole of January.

BR track work to be sold off

British Rail is to privatise its track maintenance and renew*als operations, the government* announced. The activities to be sold off employ 33,500 people *and have annual turnover of* £1bn. The aim of the sale is to give Railtrack, the company *which will manage* British Rails's track and signalling, a choice of contractors, Mr Roger Freeman, minister for public transport said yesterday. It is not clear how profitable these activities are for BR but the government hopes for bids from civil engineering companies, electrical engineers and construction companies. It does not expect management buy-outs to emerge for these businesses.

Train run by brain waves

A psychologist has created what could be the world's most expensive model train set. It costs £7,000 and was designed by stress-management expert Dr David Lewis. "The train is monitored by a small machine which reads brain waves," explained Dr *Lewis. "It responds to electri*cal patterns in the brain associated with a relaxed state. As *a subject starts to unwind the* train moves around the track. The more they relax the faster it goes."

Shares rise after sharp drop in unemployment

By Emma Tucker, Economics Staff

Government claims that the economy is strong enough to withstand severe fiscal tightening in the Spring were strengthened yesterday by *news that* unemployment fell sharply in November, hitting its lowest level since August *last year.*

The seasonally adjusted jobless total dropped 36,100, after *a revised 52,100 drop* in October, to 2.81m, or a rate of 10 per cent. This was the second biggest monthly fall for four years, and took the cumulative drop in unemployment since *January to 176,400.*

The news, which came against a backdrop of low infla*tion, pushed* share prices to an all-time closing high as investors raised their expectations *for an early cut* in interest rates. The FT-SE 100 share index closed up 32.4 at 3311.2. Sterling, *after a morning* fillip, closed unchanged against the D-Mark at DM2.5450. Against *the dollar it was just over* half a cent stronger at $1.4890.

Good figures on inflation earlier this week, *pointing to a* lack of price pressures in the economy, were reinforced yesterday by news that average earnings growth held steady at 3 per cent in the year to October. Optimism about economic prospects will be further *fuelled by a Confederation of* British Industry survey published today which says order *books have improved* in recent weeks, even though expectations about output increases have slipped back.

Mr David Hunt, the employment secretary said the fall – the eighth monthly drop so far this year – came as a "Christmas message of hope for unemployed people".

Both the level and rate of seasonally adjusted unemployment are now at their lowest levels since August last year. The rate of 10 per cent, compares with 10.6 per cent in January when the number of people out of work and claiming benefit peaked at just below 3m. The separate rates in November were 13.5 per cent for men and 5.4 per cent for women. During the month, 28,000 men and 8,100 women left the count.

Unadjusted, unemployment dropped by 24,000 to 2.76m. It was last lower in June 1992.

There was an encouraging rise in the stock of vacancies, generally a good guide to future trends in unemployment. The stock of unfilled vacancies rose by 6,500 to its highest level for over 3 years, while new vacancies notified to Jobcentres – about one third of all vacancies in the economy – rose by 10,000 in November to the highest level for nearly three and a half years.

The figures also showed that in the three months to September, *the workforce* in employment rose by 86,000, the second successive quarterly rise. Manufacturing employment, *how*ever, fell in the third quarter.

Overall employment remains 7.2 per cent below the mid-1990s, while male employment is 10.3 per cent below its peak at the end of 1989. The 13.5 per cent rate of male unemployment is still higher than any readings since the 1930s.

Political Notebook - Philip Stephens

A seasonal change of mood

For the Conservative party, 1993 has been about survival. Against the odds, it has survived. Despite the best endeavours of the Tory right, so too has Mr John Major.

For Mr John Smith's Labour party the aim has been to prosper from the government's misfortunes. Judged by the opinion polls it can claim success. The opposition has rarely been less than 20 points in front.

But the demeanour of the party's MPs and shadow cabinet members tells a different story. The confidence which comes with being ahead is mirrored by self-doubt over whether the lead can be sustained.

Mr Paddy Ashdown's Liberal Democrats, the most visibly successful this year of the opposition parties, are similarly ambivalent. The undoubted boost from famous victories in the Newbury and Christchurch by-elections has not been translated into additional punch at Westminster.

So it hardly surprising that weary ministers hosting Whitehall's usual Christmas parties have been permitting themselves the occasional smile.

After lurching from crisis to crisis since the 1992 election, still being there is enough. "Who knows", offered one minister offered only half-jokingly: "Next year we might start governing the country again".

The mood is shared on the Tory backbenches.

Peace in Northern Ireland would be an inestimable prize. Mr Major looked this week like a prime minister. His style during the Commons debate on the Anglo-Irish agreement was the most relaxed of the year. It encouraged him to return to the despatch box yesterday to take personal credit for Britain's role in brokering the Gatt world trade deal.

There is more unease than has yet surfaced publicly over the implications of the accord. Dealing with the IRA promises to be a messy business for a party attempting to rebuild a tattered as the guardian of law and order.

But the very fact that, save for Mr Norman Lamont's intervention yesterday, the disquiet has remained below the surface says something about the changed mood on the backbenches. It is no longer possible to state with confidence that the Conservative party is bent on self-destruction.

It has brushed aside the revelation of Mr Major's clandestine contacts with the IRA, it has swallowed a dilution of the government's commitment to the unionists.

More broadly, it has applauded a Budget which will pave the way for bigger tax increases than ever contemplated by the Labour party. It has concentrated instead on the latest encouraging batch of economic statistics.

The legislation this week to curb statutory sick pay and increase National Insurance Contributions have raised hardly a murmur. The party's post-Maastricht tension has also eased as Mr Major has absorbed the rhetoric of the Eurosceptics.

The turnaround has been mirrored by restlessness on the Labour benches.

Never mind the opinion poll lead, direction is what counts in politics. Labour MPs fear the wind may be about to change.

Grumbling about Mr Smith's leadership has spread from dissident left-wingers to the shadow cabinet. The modernisers are fearful that the compromises made to win the One-Member-One-Vote confrontation with the trade unions have stalled the process of change.

Mr Smith is criticised even by some of his friends as remote. "What do we stand for" is a question asked these days as often by Labour as by Tory MPs.

But this picture is an uneven one. If Mr Major is rebuilding his self-confidence his colleagues say that his private mood is still brittle.

Few miss the contrast with the instinctive ebullience of Mr Kenneth Clarke, never more obvious than during the past few, post-Budget, weeks.

The prime minister has taken to drumming his fingers on the table during the irrepressible Mr Clarke's lengthy interventions at cabinet committee meetings. The line between friendship and rivalry in politics is a fine one.

Then there is the real world, untouched by the pathological swings of mood at Westminster. Out there, the voters will feel the pain of higher taxes, a squeeze on wage increases and the spending crunch for the welfare state. A modest economic upswing may not be enough to buy their forgiveness.

Mr Major has something to celebrate this Christmas. He is still in the game. He is more resilient and more willing to take risks than many of his critics have allowed him. The Conservatives are beginning to rediscover self-discipline. But so far at least it adds up to a seasonal change of mood rather than a sea change.

Fiat to phase out Lancia

By John Griffiths

Fiat is to stop selling its Lancia cars in the UK and is phasing out production of right-hand drive Lancia models.

The decision marks the defeat of Fiat's decade-long struggle to revive the make's fortunes in the UK, after sales were devastated by a controversy over rusting at the end *of the 1970s.*

At their peak in 1978, Lancia sales reached 11,800.

*However a year later allega*tions of excessive rust in the then-best selling Beta model badly damaged the marque's reputation, despite Fiat buying back cars from dissatisfied owners.

Since then sales have declined inexorably. In 1989 – the record year for total car sales – they were down to just over 3,000. Last year they totalled only 701 and up to last night 569 had been sold during the current year.

Fiat Auto (UK), the Fiat parent, said it was contacting all Lancia owners to assure them of continuing service , parts and warranty assistance.

Lancia owners with vehicles registered since August 1990 *are also being* issued *with* a coupon worth up to £1,600, redeemable on either a new *Fiat or Alfa Romeo, which is* also owned by the Fiat group.

Most of the 46 Lancia dealers, who are on 12-month contracts, have a dual franchise with Fiat, whose own sales have risen by more than one third, from 31,000 in all of 1992 to 42,000 so far this year . Some dealers will also be offered the Alfa Romeo franchise as a Lancia substitute.

Until the rust scare, the UK was Lancia's largest right hand drive market, and its collapse has significantly reduced the incentive for Fiat to keep right-hand drive cars in production. Ireland, New Zealand, *Hong Kong, Singapore, Cyprus* and some African and Pacific rim markets have also *accounted for a small volume* of sales but future Lancias will not even be engineered for such markets.

Government approves plan for Birmingham airport

By Paul Cheeseright, Midlands Correspondent

The government has given approval to a development plan for Birmingham International Airport which will give private sector companies majority control and involve the raising of up to £400m for investment over the next ten years.

The seven district councils which own the airport yester*day said that Lord Caithness*, the aviation minister, had been informed of their plans for funding a new development plan "and looks forward to seeing these plans carried forward."

The airport is owned by the local authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

By mid-1994, the airport shareholders expect to be negotiating with potential private *sector investors. They would* like two or three partners.

"The preference would be *organisations which are com*mitted to the region and understand the Midlands and see the long term view of the Midlands we must take," said Mr Brian Summers, the airport's deputy managing director.

Once private sector shareholders have a majority of the equity, the airport company would be freed of public borrowing restrictions.

The corporate and financing plans are being drawn up in the expectation that the num*ber of passengers* handled by the airport will more than double to 11m by 2005 and that *this will require substantial* investment in new technical facilities, a runway extension and a third terminal.

RECRUITMENT

JOBS: Two contrasting viewpoints on the failure of theorists to chart the route to social progress

Unreal dreams...and other sacrifices

One thing the Jobs column has marvelled at these past 20 years is that people as busy as you readers find time to glance through it at all. So it is probably tempting fate to start its last appearance before January by recommending books for you to pore over in the meantime.

But, even at the risk of seeming bumptious to boot, that is what it is going to do. The reason is that the scarcely credible changes which have lately overtaken the world we work in are still far from fully appreciated, and the two tomes in question go a fair way towards driving them home.

Take for example the demise of planned economies. Their failure to match up to the market-driven kind seems to strike most people as clear disproof of the socialist theory that co-operation could triumph over competitive human nature. But few of us apparently recognise that the same human foible is just as much an obstacle to the theory of free trade.

One of the rare exceptions is the American author Edward Luttwak. His latest book argues that, while the break up of the Soviet Union may have ruled out military war between top nations, they are sure to go on battling with each other for industrial dominance, and it is only those armed with effective industrial policies that will be able to provide worthwhile jobs for large chunks of their population.

Companies from the winning nations will buy up the losers' best outfits, transferring senior posts to their own home lands. Elsewhere, the highest hope for most natives will be a middle-management job in a group run colonial-style from abroad.

Moreover, although the book's title is *The Endangered American Dream*[1], Dr Luttwak makes clear that the danger he fears is not confined to the US. Indeed the country he holds up as a warning is Britain, which he thinks has already sacrificed much of its hope of prosperity to theoretical dreams of free trade.

But the onslaught on such theories is taken still farther by the other book called *Shame and Necessity*[2] which, despite being less immediately relevant to workaday issues, is at least as good a read. Its author is the philosopher Bernard Williams, and his focus is the really ancient Greeks – those who lived before the heyday of Socrates in the fifth century BC. – who he thinks offer us important lessons, not least because their very different ideas of morality were by no means inferior to ours.

Among other things, they were less reluctant to face the fact that might is often in effect the same thing as right, and were better at persuading holders of power that obligations go with it. For example, those seen to have misused their power did not expect to get away by keeping their admissions to the minimum feasible, and adopting a lower profile. The accepted penalty was a public display, not of mere guilt, but of shame which in the extreme case demanded suicide.

In short, the oldest Greeks believed that the tolerable running of a society is dependent on the will of individual citizens to act morally – a view which has since been superseded by theories that social progress depends on suprahuman forces, such as Marx's dynamics of history and Adam Smith's invisible hand.

Professor Williams argues that the theories have failed to serve as an adequate substitute for the personal moral code of the pre-Socratic Greeks. But his belief that we have much to learn from them doesn't extend to advising us to re-adopt their principles entirely, which the Jobs column thinks is in some ways a pity.

Misuses of power strike me as on the increase, and if it takes shamings to curb them, so be it. Certainly I'd prefer to stop short of obliging offenders to shed their blood. But that would at least make for a more dignified mode of exit than the quiet acceptance of a few thousands from tax-payers' funds, with which sacked British ministers apparently soften their downfall nowadays.

Finally this year to the more seasonal topic represented by the table to the right, which gives a guide to the cost of acquiring and trying to escape from a hang-over in 18 international centres. The figures have again been not just supplied, but double checked, by the Runzheimer consultancy of Rochester, Wisconsin.

First comes the acquisition stage: the local prices of a litre apiece of particular although undisclosed brands of whisky and of vodka, followed by the average price of both as the "on-cost".

The next four columns cover the attempt to escape: 100 branded aspirin, 36 Alka Seltzer (except in Tokyo and Cairo where they are apparently not on sale), and half a pound of instant coffee, which are also averaged out as the "off-cost".

The final column lumps the on and the off together to give the total damage. . . . to the pocket at any rate.

Which said, I wish you all the compliments of the season, and hope to meet you again in the first week of January.

Michael Dixon

[1] *Simon & Schuster. $24.*
[2] *University of California Press, UK distributor John Wiley. £20.*

THE PRICE OF SEASONAL OVER-INDULGENCE AROUND THE WORLD

City	1 litre Scotch £	1 litre Vodka £	*Average on-cost* £	100 Aspirin £	36 Alka Seltzer £	8oz Coffee £	*Average off-cost* £	Average full cost £
Tokyo	26.20	19.81	23.01	18.26	–	8.26	13.27	36.28
Copenhagen	30.95	21.09	26.02	4.90	2.99	5.86	4.58	30.60
Singapore	30.14	24.17	27.16	5.05	4.88	3.17	4.37	31.53
Stockholm	24.93	21.05	22.99	4.21	2.46	4.24	3.64	26.63
Hong Kong	17.76	17.72	17.74	6.58	3.77	3.29	4.55	22.29
Vienna	18.55	11.41	14.98	6.60	5.87	5.91	6.13	21.11
Sydney	17.40	15.79	16.60	4.81	4.38	2.80	4.00	20.60
London	16.12	14.87	15.50	6.32	3.30	2.90	4.17	19.67
Cairo	16.90	16.90	16.90	0.46	–	4.15	2.31	19.21
Amsterdam	13.93	11.43	12.68	9.20	4.04	3.91	5.72	18.40
Frankfurt	14.35	7.05	10.70	8.43	7.55	5.92	7.30	18.00
Paris	13.68	11.05	12.37	3.93	3.70	5.22	4.28	16.65
New York	16.74	8.01	12.38	6.01	2.77	3.22	4.00	16.38
Brussels	13.84	10.66	12.25	3.58	3.67	4.11	3.79	16.04
Toronto	12.87	10.91	11.89	3.83	2.53	2.72	2.96	14.85
Milan	8.29	5.43	6.86	8.64	5.26	5.66	6.52	13.38
Moscow	10.41	6.19	8.30	8.20	3.28	3.28	4.92	13.22
Madrid	9.24	5.94	7.59	6.41	4.28	3.26	4.65	12.24

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Finance for the project is being provided by a wide range of multilateral and bilateral donors, export credits agencies and commercial banks in the Southern Africa region and overseas.

The Phase 1A of the project involves building of a 182m high arch dam with a crest length of 710m, about 82km of tunnels and a hydropower plant. Phase 1B similarly involves an approximately 150m high dam (type to be determined), and more than 30km of tunnels.

The Lesotho Highlands Development Authority was established by the Government of the Kingdom of Lesotho in 1986 as a Statutory Body to implement, operate and maintain the portions of the Project which are located in Lesotho.

Reporting to the Authority's Chief Executive, the Deputy Chief Executive Engineering and Construction will be responsible for four of the Authority's twelve divisions covering project planning and economic studies, feasibility studies, planning and design, construction, technical procurement, and water resources.

His responsibilities will include:

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Applicants who consider that they have suitable academic qualifications and relevant experience in managing large water resources projects should submit applications with their curriculum vitae to:

The Chief Executive,
Lesotho Highlands Development Authority,
P.O. Box 7332, Maseru, Lesotho
Tel: (266) 311 280 Telefax: (266) 310 060

The closing date for applications is 28 February 1994.

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ACCOUNTANCY COLUMN

Spectres linger at War on Want battleground

Andrew Jack explains how faulty financial management almost resulted in insolvency for the now healthy charity

An announcement last week from the accountancy profession's Joint Disciplinary Scheme, its highest investigative body, has re-opened some painful old sores in a landmark case of poor financial management and auditing of charities.

The issue to be examined is the conduct of Somers Baker, a small London-based accountancy practice, and its audit of War on Want, the Third World charity which gained some notoriety for its financial difficulties three years ago.

The charity has changed fundamentally since that time and now appears relatively healthy. The robustness of some of the other organisations involved and the degree to which the lessons raised by the case have been learnt is more open to question.

War on Want was founded in 1959 by Victor Gollancz, the radical publisher, and Harold Wilson, later to be prime minister. It aimed to be a campaigning organisation, which courted criticism but allowed it to highlight issues in development now far more widely discussed: such as the central role of women and the issue of debt.

But the battles with the outside world were more than matched by bloody internal feuds. Deep political rifts and personal rifts developed, financial management was neglected, and War on Want was brought to the brink of insolvency by early 1990.

The concerns led to an investigation unprecedented in scope by the Charity Commission. It appointed two outside inspectors who battled with incomplete records and inaccessible personnel members to compile a series of damning findings.

Mr George Galloway, who was general secretary of the charity in 1983-87, told the inspectors that War on Want "seemed often at war with itself . . . no two members of staff saw eye to eye on most things. [There was] deep and almost unbelievable civil war".

While Galloway himself received critical attention in the mid-1980s over concerns about his expenses, the inspectors' report suggests these concerns were minor compared with the wider conduct of the charity. The essential difficulty was a failure to distinguish between War on Want's own "general" income and expenditure, and that pledged or "restricted" to charitable purposes.

In particular, there was confusion between the charity's accounts and those of two groups set up to provide long-term relief in Africa: the Eritrean Inter Agency Consortium and the Tigray Transport and Agriculture Consortium. There were not, for example, separate bank accounts for these entities.

The result, according to the Charity Commission inspectors, was material misstatement of the audited accounts in every year during 1985-89. The general fund reserves in the audited accounts for the year to March 1985 were £485,256; adjusted by the inspectors, they were £352,256. By the year to March 1988, the audited accounts showed £1,163,503; the inspectors restated them as a £41,497 deficit.

The confusion led to the charity undertaking projects it may not have been able to afford, and diverting money provided by donors to activities other than those for which they had been solicited. Loans which should not have been approved were also made from the charity to its trading subsidiaries.

Few escape unscathed from the scrutiny of the inspectors. The members of the council of management, the officers, general secretaries, finance officers and auditors all come in for criticism. Both the trustees and the auditors appeared to place too much reliance on each other.

Hardly any of the elected council expressed any interest or possessed any skills in financial or legal issues. As Galloway told the inspectors: "No one wanted to sit on any committees except the programmes committee . . . which was talking about exotic places."

As far as the Joint Disciplinary Scheme is concerned, the findings against Somers Baker appear powerful. Mr Frank Weinberg, one of the two partners in the firm and the one in charge of the audit, has since refused to comment publicly.

The firm had been both accountant and auditor to War on Want since 1980, and also took on the job as auditor to the consortia. It was involved in the recruitment of a finance officer, an investigation into the general secretary's expenses, a review of accounting systems, and a study into the feasibility of relocating the headquarters. Its total fees during 1985-89 were £51,520.

The inspectors heard from Mr Weinberg, but were frustrated in their examination because Somers Baker told them that many of its working papers had been mislaid or destroyed in a fire.

They none the less determined that the firm failed to carry out proper tests which would have revealed that the accounting system was not functioning and material errors could result. "We have to conclude that Somers Baker's errors were serious; overall this was a poor auditing performance," they said.

The inspectors found no evidence of audit planning, partner review of programme prior to audit, review of working papers at the conclusion, review of post balance sheet events, or the appropriateness of the going concern basis for the accounts.

For the two years to March 1987, no qualified staff worked with Weinberg on the audit. Not all work was documented, and he confirmed that he sometimes relied on his own long-standing involvement to make judgments without always recording his decisions and actions.

Somers Baker has to some extent already paid the price for these omissions. Faced with a writ claiming damages of more than £2m from the charity, it settled out of court in October for £309,500. It appears that the firm has also been twice visited by the Joint Monitoring Unit charged with audit regulation to assess its capability to practice. It remains registered.

War on Want went through a management transformation, with a new director and trustees, changes to the constitution, separate bank accounts and professional advice to improve its systems. Its accounts – which have received an unqualified opinion – clearly label "restricted" and "general" funds. They show a solvent organisation with rising donations.

Self-regulation within accountancy has again been called into question for the glacial speed of action over the case. The inspectors' report was published in February 1991. It will have taken more than three years before any verdict is made some time in 1994.

Many in the charity sector have taken heed of the findings of the report informally. But the ambitious recommendations made at the start of the report by the Charity Commission inspectors – at a time when charity law was under review for the first time in two decades – have been largely neglected.

They suggested that for larger charities, the Commissioners should have additional supervisory powers; that there should be a list of approved auditors; and a requirement on auditors to report to the Charity Commission. They argued for a minimum number of trustees with proven financial or legal expertise and charity experience. They called for special rules dealing with consortia. No such recommendations have been implemented.

In their absence, the report still provides an object lesson for those involved in the management of charities.

As Mr Giampi Alhadeff, War on Want's director since the restructuring, puts it: "If there is a lesson, it is that the trustees are the owners and guardians. There is no responsibility more onerous than on trustees."

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Business & Finance Manager

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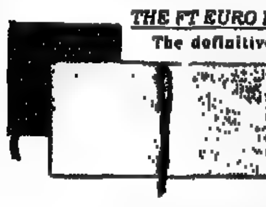

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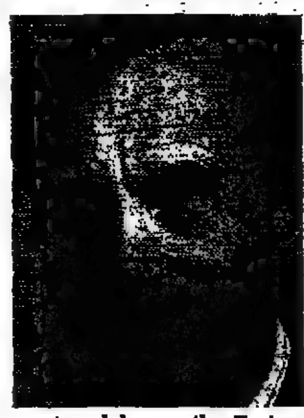
PEOPLE

ICI appoints finance director



Alan Spall, 49, has been appointed finance director of Imperial Chemical Industries as part of a move to bring some younger faces into the increasingly elderly boardroom of Britain's biggest chemicals company.

Spall, who joined ICI in 1970 after qualifying as a chartered accountant with Thomson McLintock, takes over from Colin Short, 59, who is being moved sideways. Short, a former treasurer of Chevron who joined ICI in 1990, has been given responsibility for the Eastern hemisphere, which will enable him to devote more time to his new job as deputy chairman of ICI Australia, ICI's biggest affiliate. Short retains responsibility for planning.

ICI plays down any suggestion that Short, who played a key role in defending the company against Hanson, has been demoted. Short is less than three years away from retirement and knows the Eastern hemisphere well from his days in the oil industry.

Sir Denys Henderson, 61, the chairman of ICI, and chief executive Ronnie Hampel, 61, are both expected to retire in 1995 and ICI is keen to bring a younger generation of managers into the boardroom. The effect of the current changes is to reduce the average age of the ICI executive directors from 57 to 54.

The company announced yesterday that Chris Hampson will leave next April when he reaches the normal retirement age of 62 and will be replaced on the board by Mike Brogden, 55, who joined ICI in 1960 as a technical officer in the dyestuffs division. Brogden has been chief executive of ICI Chemicals and Polymers since May 1992 and will retain his responsibility when he joins the board next May.

The latest reshuffle does not appear to give any more clues as to the likely successors to Henderson and Hampel, who have both agreed to stay on after the normal ICI retirement age. Although Spall, ICI's general manager in charge of finance, is under 50, Rob Margetts, 47, who has been on the ICI board for over a year, is still regarded as the front runner.

Bond resigns from Arjo Wiggins

Arjo Wiggins Appleton, the Franco-British paper group, has dismayed UK institutions again with its announcement yesterday that the charismatic Gordon Bond, its American executive director, has resigned.

Bond, who previously ran the US Appleton operations, was only appointed in January as chief executive of the company's printing and writings division, which included the European carbonless papers, fine papers and coated papers businesses, as well as Ceasa, the group's pulp mill in Spain.

The move is a serious blow for AWA. Of the group's operational directors, Bond was undoubtedly the most successful and had the highest profile. AWA's shares closed down 23p to 226p.

Although AWA would not say what had caused the boardroom bust-up, there appears to have been a personality clash between the strong-willed French chief executive Alain Soulas and Bond who was used to running his operations with considerable freedom.

Behind the scenes AWA stressed the resignation had had nothing to do with any deterioration in the performance of Bond's division, nor any disagreement over the group's strategic direction, nor by any desire to relocate the group to France. The group has a substantial minority French shareholder.

■ Derek Hodson has retired from AVON RUBBER.

■ Alan Chilton has resigned as sales and marketing director of SCOTTISH TELEVISION.

Medeva picks internal candidate

Medeva, the drugs company which saw its share price thoroughly battered after a profits warning in July, has picked its one internal candidate, European regional director Bill Bogie, for the new post of chief executive with effect from the beginning of next year.

Executive chairman Bernard Taylor, who announced his intention to split the top management spot at the interims in August, says that as the headhunters got to work, it became clear that Bogie, who only arrived in April, was "head and shoulders" above the rest of the potential candidates.

Bogie, 49, has impressed his new chairman by "grasping the nettle" over Europe, "neatly executing a potentially painful rationalisation".

His background also matches the company's requirements for a chief executive "steeped in pharmaceutical lore". A medical doctor by training, Bogie spent four years in the Health Service before joining Hoechst Pharmaceuticals, initially on the research side, in 1972. He worked in Germany and the US in the early 1980s, and later ran Hoechst Pharmaceuticals in the UK before joining Medeva.

When Bogie takes over, the company's founder Ian Gowrie-Smith will relinquish his title of managing director. "That will not change his task qualitatively; he was always the corporate development man," says Taylor, conceding that, given the company's enfeebled share price, "we have difficulty in generating enough acquisition work to keep him interested".

While no directors would be getting bonuses this year, Gowrie-Smith's basic salary of £287,000 would be reviewed when the company had "a better assessment as to what the future holds for near term acquisitions", Taylor added.

The shares closed up 1½p at 139p yesterday.

Non-executive directors

■ Sir Allen Sheppard, chairman of GrandMet, at BOWATER.

■ Sir John Hoskyns, chairman of the Burton Group and a former director general of the Institute of Directors, at EMAP.

■ James Lee, md of Lee & Co and a former director of Pearson, at PEARSON's Television Holdings.

■ Barry Smith, former executive director, at ELBIEF.

■ John Ashworth, David Macdonald, Morris Miller and Peter Russell have resigned from The NORTH BRITISH DISTILLERY COMPANY following its acquisition by Lothian Distillers.

■ Stephen Ellis, founder shareholder and chairman of Viking Packaging, at GOODHEAD GROUP.

■ Robert Dolman, a partner of Wedlake Bell, as chairman at FAMILY ASSURANCE FRIENDLY SOCIETY.

■ Harold Bailey has resigned from CLYDE PETROLEUM.

■ Tom Forsyth has resigned from ARLEN.

■ Bruce Fireman, a former director of Newspaper Publishing, at CULVER HOLDINGS.

■ Christopher Arnander, chairman of the Royal College of Music Development Fund and a former director of BZW, at RECORD TREASURY MANAGEMENT.

■ William Fulton has resigned from CLAYHITHE.

■ Sir Hugh Bidwell, former Lord Mayor of London, as chairman at APPLIED DISTRIBUTION (GROUP), the holding company of ADL.

■ Geoffrey Langlands, director vice-president of Banco Simonsen, at TEMPLETON EMERGING MARKETS INVESTMENT TRUST.

■ Andrew Barr, chief executive of Aerostructures Hamble, and Daniel Hodson, chief executive of Liffe, at RANSOMES.

■ Peter Saunders, former md of United Artists Communications (London South), at ALLIED RADIO.

■ George Capon, recently retired partner of Touche Ross, at BLOCKLEYS.

■ Robert Green has resigned from SURREY GROUP.

■ Graham Winfield, retired chief executive of BOC's overseas division, as chairman of BOOKER TATE.

■ James Best, md of UBS in London, at ORIEL GROUP.

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MANAGEMENT

CHRISTOPHER LORENZ

Conventional strategic wisdom takes a knock

Forget what you learned at business school or from an executive training programme about the supremacy of those cornerstones of strategy: market share and "value chain" analysis. They are still relevant, but their character is being altered, and their significance undermined, by the changing nature of industrial competition.

This is the controversial thesis of one of the most influential strategy professors in the US, C.K.Prahalad of the University of Michigan. Prahalad teaches and consults for a large number of top companies around the world. So his views are likely to affect how at least some of them behave in the marketplace.

To managers brought up on the best-known writings of the Boston Consulting Group and Harvard's Michael Porter, Prahalad's prescription for more effective competitive analysis reads like a revolutionary tract.

Instead of being obsessed with their brand and market shares in finished products, he says, manufacturers should become far more concerned with their share of the market in key "modules" within those products – what he calls, confusingly, "core products".

Just as trends in the cotton industry helped to spark the revolutionary fervour of Marx and Engels, it is those in the electronics and motor industries that have now triggered Prahalad's.

He unveiled his thesis to a packed room of executives and academics at a recent Strategic Management Society conference.

Taking video cassette recorders as his first example, he showed that when Matsushita and its JVC offshoot held only a 24 per cent brand share of the world market, they had a 42 per cent share of total production, and more than 65 per cent of the "core product" within a VCR – its recording head and the other key sub-assemblies which surround it.

Among a long list of similar examples, other speakers cited the growing world market share of specialist suppliers of key modules such as complete engine pistons.

The strategic importance of the trend towards "core products" lies partly in their characteristics, says Prahalad. Most are technology and investment-intensive, and therefore require increasingly large-scale development resources – a factor which is being reinforced by the accelerating "time-to-market" (development cycle) of the finished products for which they are destined.

Together, both these tendencies are forcing companies to narrow still further their range of specialised "core products", and to outsource more and more of them. In order to surround their own "core products" by the most innovative components and sub-assemblies on the market, they have to buy not only from their traditional suppliers, but also from their competitors. Thus many Japanese and other Asian electronics companies buy compact disc mechanisms and lasers from Sony, which has a 60 per cent world share in them.

Manufacturers should become far more concerned with their share of the market in the key "modules", says Prahalad

By the same token, in order for Sony to create the necessary scale of development – and, in some cases, manufacture – it has to sell to its rivals. As Prahalad puts it, "competitors become one more distribution channel for one's core technologies".

When a company's rivals also start acting as its suppliers and customers in this way, things get very confusing for its managers. Especially perplexing is how to manage all the internal and external dynamics of these links.

A good start, says Prahalad, is to recognise the importance of the technology trade balance between two companies – which in the case of multinationals "is increasingly more important than that between countries". This recognition, in turn, underlines the vital importance of developing the company's core technology and its other "core competencies", such as the managerial skills required to operate in fast-moving markets and within a network of partners.

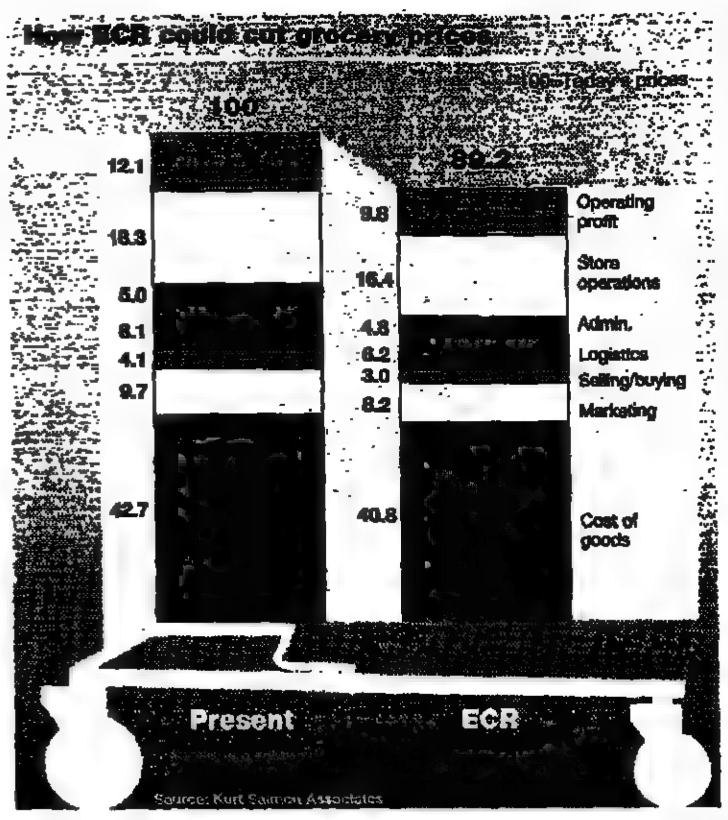
Despite the growing competitive importance of "core products" and the competences which underpin them, Prahalad complains that 80 per cent of managerial attention and 99 per cent of academic literature on strategy is still devoted either to mundane manoeuvring for market share, or to the achievement of better price performance between low-margin finished products.

"Yet such measures are becoming less and less relevant as a way of measuring market power, influence over standards, and the creation of new businesses", he argues. "It's like focusing only on today's skirmishes and forgetting the full-blooded war tomorrow".

Apart from paying more attention to their share of "core products", Prahalad says companies should cease to be preoccupied with their degree of vertical integration and their own "value chain" – their various value-creating activities, such as production, marketing and service. Instead they should pay more attention to their ability to create "virtual integration" by allying with, and purchasing from, competitors.

Rather than analysing competitiveness purely on the basis of individual companies, Prahalad also argues that managers – and their attendant consultants and academics – should realise that the most relevant unit of analysis in a growing number of industries is becoming what he calls "open clusters": shifting networks of companies which form supply relationships and other types of collaborative arrangement.

This must, by definition, be an overstatement: the competitiveness of individual companies remains vital, even in an era of what Prahalad calls "inter-cluster competition" – as between Matsushita and Sony/Philips in compact disc players, for instance, or Intel versus Motorola in computers. Allowing for such exaggeration, Prahalad's revisionism is correct – as it is on market share.



Source: Kurt Salmon Associates

Guy de Jonquières reports on a plan by US supermarkets to integrate the supply chain

New just in time zone

When Taiichi Ohno, then Toyota's chief engineer, visited the US in the late 1940s, he was more impressed by the country's supermarkets than its car industry. Their organisation and expertise, he said, inspired the just-in-time production system pioneered by Toyota and since adopted by manufacturers worldwide.

Today, it is the supermarkets which are scrambling to catch up. Beset by mounting competition, shrinking market share and meagre profit margins, they have launched an ambitious joint project to modernise their business by adopting the latest just-in-time techniques.

Known as Efficient Consumer Response, the project aims to squeeze $30bn (£20.1bn) in costs out of the $360bn-a-year US grocery trade through co-ordinated action by retailers and suppliers to slash stocks and speed up distribution.

If all goes to plan, the efficiency gains will not only enable supermarkets to cut prices by as much as 11 per cent; ECR will also transform their relations with suppliers and may hasten restructuring by consumer goods manufacturers.

Although supermarkets in much of Europe – notably the UK – are more efficient than in the US, the project is arousing interest across the Atlantic. Several large supermarket groups, such as Ahold of the Netherlands, Delhaize of Belgium and Britain's J. Sainsbury, own north American chains.

ECR was hatched earlier this year by five retailing and manufacturing associations. It is backed by supermarkets including Kroger, Safeway and Shaw's, and suppliers including Coca-Cola, Kraft General Foods and Procter & Gamble.

The driving force is the US supermarkets' growing alarm at losing business to discount chains such as Wal-Mart and warehouse clubs such as Costco, which charge 10-15 per cent less for many grocery lines.

Their lower costs reflect superior productivity. At Wal-Mart, for instance, tight links with suppliers and extensive investment in computerised technology allow sales to be monitored continuously and ensure that products are made and delivered when they are needed.

While US supermarkets installed electronic point-of-sale scanners more than 20 years ago, they have used them mainly to speed up check-out transactions, rather than to generate information about their business or manage it better.

Furthermore, their relations with suppliers remain antagonistic, partly because US food and household goods manufacturers have not faced the competitive spur of cheap imports which prompted makers of textiles, toys and consumer electronics goods to co-operate closely with chains such as Wal-Mart.

Things have been made worse by a uniquely American system of short-term promotional discounts on manufacturers' list prices. This encourages bargain-hunting supermarkets to purchase as much as three months' stock at a time and store it in warehouses.

So common is the practice that more than 80 per cent of some grocery lines are bought in this way. As well as undermining producers' pricing policies, it has led to uneven distribution flows and a costly build-up of finished products, while draining funds from advertising and marketing.

Although manufacturers originally launched promotional deals to drum up sales, many have grown disenchanted. Some, such as P&G, have recently tried unilaterally to restore price stability. But such efforts have been patchy and yielded mixed results.

ECR aims to end this anarchy through an industry-wide effort by retailers, wholesalers and manufacturers to integrate the supply chain by installing advanced electronic systems and sharing detailed information about sales, orders, production schedules and payments.

Kurt Salmon, an industry consultancy, estimates ECR could cut stock levels by 37 per cent and reduce the time taken by a typical grocery product to move from factory gate to check-out counter from 104 days to 61.

Industry co-operation would also improve supermarkets' use of sales space, speed stock replenishment and enhance the quality of product innovation and marketing by freeing suppliers and retailers to concentrate on consumers instead of fighting each other.

"We have to move from a 'push' approach, which relied on putting products in a warehouse and hoping they would sell, to one where the industry is pulled forward by consumer demand," says Phil Marineau, president of Quaker Oats.

Quaker began applying some principles of ECR in the late 1980s, shaking up its sales and marketing effort and working with supermarkets to eliminate surplus stocks and streamline distribution. It has been rewarded with increased margins and market share.

ECR's sponsors have set a tight timetable. Trials of the techniques and information systems involved are already under way.

The aim is to have the project operating throughout the industry by the end of 1996.

But some observers think the really tough issues have yet to be tackled. "Everyone is still just picking the low-hanging fruit," says Douglas Adams, an ECR expert with Nielsen, the market research firm. "From now on, progress will be more difficult," says Winston Taylor, a vice president of Campbell's Soup.

The biggest obstacle is not the technology, which is already widely used in other industries, but getting supermarkets and suppliers to behave as partners, not adversaries.

Even ECR's most enthusiastic backers admit they will need extensive reorganisation and staff training to overcome ingrained mutual mistrust and the urge to seek short-term advantage at each other's expense.

Further hurdles are uncertainty among wholesalers about their future role and manufacturers' anxiety about the impact of the planned elimination of surplus stocks from the supply chain.

David Rabinowitz, of stockbrokers Kidder Peabody in New York, estimates that adjustment could cut food manufacturers' production by 40 per cent in a single quarter. Even if phased in over two years, it could still depress manufacturers' sales growth during that period.

Yet the supermarkets' continuing loss of market share provides a powerful incentive to press ahead, as does manufacturers' concern that if they miss the bandwagon, they may lose to competitors.

Those with the most to fear are manufacturers of weak brands. Many have survived largely because US supermarkets lacked the tools to measure the performance of individual grocery lines.

Once ECR provides that information, it seems certain to add to the pressures for a further shake-out of products which are failing to earn their keep on supermarket shelves.

LEGAL NOTICES

IN THE MATTER OF THE REHABILITATION OF MUTUAL BENEFIT LIFE INSURANCE COMPANY
a Mutual Insurance Company of New Jersey

SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
MERCER COUNTY
GENERAL EQUITY PART
DOCKET NO. C-91-00109

CIVIL ACTION

NOTICE OF ENTRY OF ORDER (1) CONFIRMING FIRST AMENDED PLAN OF REHABILITATION, AS MODIFIED, AND (2) COMMENCING PROVISIONAL LIQUIDATION OF THE MUTUAL BENEFIT LIFE INSURANCE COMPANY

TO: ALL POLICYHOLDERS, AGENTS, CREDITORS OR OTHER PERSONS OR ENTITIES INTERESTED IN MUTUAL BENEFIT LIFE INSURANCE COMPANY OR ITS ASSETS

PLEASE TAKE NOTICE, pursuant to N.J.S.A. 17B:32-43 and 17B:32-51, that on November 10, 1993, the Superior Court of New Jersey entered an Order ("Confirmation Order") confirming an amended plan of rehabilitation of The Mutual Benefit Life Insurance Company ("Mutual Benefit"). The Confirmation Order, among other things, (i) modified the First Amended Plan of Rehabilitation of The Mutual Benefit Life Insurance Company proposed by Samuel F. Fortunato, Commissioner of Insurance of New Jersey and rehabilitator ("Rehabilitator") of Mutual Benefit, (ii) confirmed such Plan, as modified (the "Plan"), and (iii) commenced a provisional liquidation proceeding against Mutual Benefit effective as of the closing of the transactions contemplated by the Plan ("Closing Date").

The Plan and the Confirmation order generally provide as follows:

Pursuant to the Plan, Mutual Benefit is to restructure certain of its insurance contracts and reaffirm other insurance contracts. On the Closing Date, Mutual Benefit is: (i) to assign substantially all of its assets to its wholly-owned subsidiary, MBL Life Assurance Corporation ("MBLLAC"), in return for the assumption and reinsurance by MBLLAC of the restructured and reaffirmed insurance contract liabilities, (ii) to assign certain specifically identified assets to a liquidating trust ("Liquidating Trust") in return for the assumption by the Liquidating Trust of liabilities associated with such assets and (iii) to assign MBLLAC's capital stock to a stock trust ("Stock Trust") in return for the assumption by the Stock Trust of all rights and liabilities associated with MBLLAC's capital stock.

Prior to the Closing Date, persons offered restructured insurance contracts will be given an opportunity to elect not to participate in the Plan and to receive instead a cash payment based on 55% of their account values as of the commencement of the rehabilitation proceeding ("Filing Date"), subject to adjustments for withdrawals and other changes and for interest and other credits from the Filing Date until the Closing Date. The Rehabilitator has concluded that, in general, participating in the Plan is desirable and in the best interest of insurance contract holders. An election form and other information will be sent to persons entitled to make such an election at a later date to enable them to make an informed decision whether to participate in the Plan based on their individual circumstances. NO ACTION SHOULD BE TAKEN AT THIS TIME WITH RESPECT TO SUCH AN ELECTION.

As a result of the modifications ordered by the Court, holders of general unsecured claims against Mutual Benefit that are proven in the rehabilitation proceeding will receive, in proportion to the amount of all such claims, a beneficial interest in the Stock Trust and an interest in MBLLAC's statutory surplus as of January 1,2000, if any, in excess of required risk based capital and asset valuation reserves, subject to any further modifications of such interest based on the Rehabilitator's appeal of the Confirmation Order, which appeal was filed on November 22, 1993.

The Confirmation Order also provides for the liquidation of Mutual Benefit conditioned upon the closing of the transactions contemplated by the Plan, including the assumption and reinsurance by MBLLAC of insurance claims held by persons who elect to participate in the Plan. The Court has determined that, as of the Closing Date and the transfer of all of Mutual Benefit's assets to MBLLAC, the Liquidating Trust and the Stock Trust, Mutual Benefit will be insolvent and that further attempts to rehabilitate Mutual Benefit would be futile, and would substantially increase the risk of loss to creditors, policyholders and to the general public. Effective as of the Closing Date, Commissioner Fortunato, in his capacity as liquidator of the then remaining assets of Mutual Benefit ("Liquidator"), is instructed to wind up the remaining business affairs of Mutual Benefit and to liquidate such remaining assets under the supervision of the Court.

The Court has further determined that, pursuant to Order of the Court filed September 4, 1992, all claims filed and deemed filed in Mutual Benefit's rehabilitation proceeding shall be deemed filed for all purposes in Mutual Benefit's liquidation proceeding and that the deadline for filing claims established in Mutual Benefits Rehabilitation proceeding (November 16, 1992) shall be deemed to be the deadline for filing claims for all purposes in Mutual Benefit's liquidation proceeding. DO NOT FILE A CLAIM IN MUTUAL BENEFITS LIQUIDATION PROCEEDING UNLESS YOU RECEIVE NOTICE TO DO SO. All claimants, however, have a duty to keep the Rehabilitator informed of any change of address.

In addition to any injunction or restraint previously entered in Mutual Benefit's rehabilitation proceeding, the Confirmation Order enjoins and restrains all officers, directors, policyholders, agents and employees of Mutual Benefit, and all persons or entities of any nature, including but not limited to claimants, holders of annuity contracts, beneficiaries under any Mutual Benefit contract, plaintiffs or petitioners in any action or arbitration against Mutual Benefit or the Rehabilitator, physicians, hospitals or other medical or health care providers, and any governmental agencies, having claims of any nature against Mutual Benefit, the Rehabilitator or the Liquidator, including crossclaims, counterclaims and any third party claims, effective as of the Closing Date, from commencing or continuing (i) any action at law or equity or in arbitration against Mutual Benefit, the Rehabilitator or the Liquidator, whether in New Jersey or elsewhere, or (ii) any action or proceeding in the nature of an attachment, garnishment or levy of execution against Mutual Benefit or its assets, whether in the hands of the Rehabilitator, Liquidator or otherwise.

Coverage by state insurance guaranty associations may be available for all or part of policy benefits in accordance with applicable state guaranty association laws and the Plan. State insurance guaranty associations that have elected to participate in the Plan ("Participating Guaranty Associations") will support MBLLAC's obligations under restructured contracts and reaffirmed contracts that are deemed to be covered by a Participating Guaranty Association ("Covered Contracts"). Persons who elect to participate in the Plan generally will receive the benefit of support either by Participating Guaranty Associations with respect to Covered Contracts or by insurance industry member companies who have agreed to reinsure most group annuity contracts that are not Covered Contracts, and generally will release claims based on their original Mutual Benefit contracts. Persons who elect not to participate in the plan will retain such rights as they may have against State Guaranty Associations based on their original Mutual Benefit contracts, however, Mutual Benefit has been informed that, in general, Participating Guaranty Associations will take the position their statutory obligations were met by the guaranty of Covered Contracts pursuant to the Plan and that no further obligations are owed to persons who opt out of the Plan.

The Rehabilitator intends to file and to seek entry of an order approving a second amended plan of rehabilitation of Mutual Benefit, which will embody the modifications set forth in the Confirmation Order and other technical amendments.

Samuel F. Fortunato
NEW JERSEY COMMISSION OF INSURANCE AND
REHABILITATOR OF THE MUTUAL BENEFIT LIFE INSURANCE COMPANY

THE INSOLVENCY ACT 1986
NORTON OPAX LIMITED

I, Margaret Elizabeth Mills of Ernst & Young, Becket House, 1 Lambeth Palace Road, London, SE1 7EU hereby give notice that on 2 December 1993 I was appointed joint liquidator of the above named company together with my partner David John Pallen.

NOTICE IS HEREBY GIVEN that the creditors of the above company are required, on or before 21 January 1994, to send in their full names and addresses, full particulars of their debts or claims, and the names and addresses of their solicitors (if any) to me and if so required by notice in writing from me, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 7 December 1993
M E Mills
Joint Liquidator

All known creditors have been or will be paid in full but any persons considering they have a claim against the company should send in that claim forthwith.

THE INSOLVENCY ACT 1986
REDHOLD (HEATHROW BUSINESS PARKS) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at Robson Rhodes, 186 City Road ECIV 2NU on 21st December 1993 at 11.00am for the purposes mentioned in Section 99 and 100 of the said Act. Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debts, at the offices of Robson Rhodes, 186 City Road, London ECIV 2NU not later than 12.00 noon on 20th December 1993.

A list of names and addresses of the company's creditors will be available for inspection free of charge, at the offices of Robson Rhodes, 186 City Road, London ECIV 2NU on 17th and 20th December 1993 between the hours of 1000 and 1600 hours.

Dated this 8th day of December 1993
M J SMITH Director

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British Coal invites offers for licensing the working of coal and the use of associated facilities at each of the collieries named below. Decisions by British Coal to grant a licence in respect of each colliery will be made on a colliery by colliery basis. Specific proposals for non-mining uses will also be given due consideration.

The collieries for which separate offers are invited are Bentley, near Doncaster, South Yorkshire; Calverton, Nottingham; Rufford, Rainworth, Mansfield, Nottinghamshire; and Wearmouth, Sunderland, Tyne and Wear.

Expressions of interest must be received by January 4, 1994, either in writing to:

British Coal Corporation,
Licensing of Closed Collieries,
Eastwood Hall, Eastwood,
Nottinghamshire NG16 3EB.
Fax No: 0773 532709

or by telephone on the following numbers:

Bentley Colliery	0773 532711
Calverton Colliery	0773 532710
Rufford Colliery	0773 532710
Wearmouth Colliery	0773 532711

and subsequently confirmed in writing.

British Coal reserves the right not to consider expressions of interest received after January 4, 1994. Parties who have expressed an interest in making an offer in respect of a particular colliery will be provided with a Preliminary Information Pack containing outline information on the colliery, an application form, a letter of undertaking and the terms of a £10,000 security deposit/bond, together with details of the licensing process and timetable.

Detailed information on the relevant colliery and draft tender documentation will subsequently be provided to any party which satisfies the requirements specified in the Preliminary Information Pack, which include entering into the letter of undertaking and the provision of the security deposit/bond.

The receipt of an offer will not create any obligation or commitment on the part of British Coal to enter into any negotiations or to grant a licence.

Enquiries about the procedures set out in this advertisement should be made in writing to the above address or by telephone on the numbers listed opposite.

British COAL

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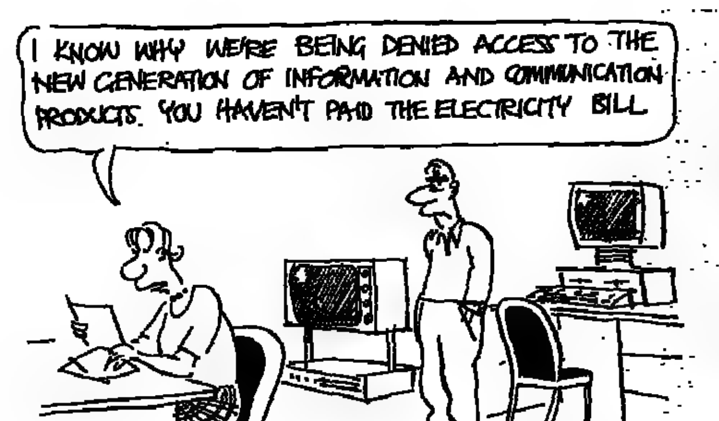
هكذا من الاصل

Louise Kehoe reports on a warning that the US communications industry could be strangled by red tape

Blocks on the superhighway



Excessive government regulation could put a road block on the "information superhighway", the US Council on Competitiveness, an independent group of US industry executives, academics and labour leaders, warns in a new report on communications competition policy issued yesterday.

"Just as the nation is poised to deliver a seamless web of communications and information products and services, we find ourselves stymied by a tangled web of regulations and public policies," the report says.

The vision of multi-media information, communications and interactive entertainment services distributed on high-speed networks is spurring a frenzy of mergers and alliances which is reshaping the US communications industry.

Cable television, telephone, broadcasting, computing, publishing, wireless communications and power companies are currently rapidly converging as new technologies create overlapping markets.

As this industry fusion takes place, US regulators and legislators are struggling to keep pace. Next month, the Clinton administration, which has made the creation of an advanced "National Information Infrastructure" the central element of its technology policy, is scheduled to publish proposals for a new Communications Act.

This landmark legislation, drafted by an inter-agency team headed by vice president Al Gore, will establish new "rules of the road" for the information superhighway. Industry leaders hope it will also dismantle the restrictions and regulations that provide US regional telephone companies and cable TV operators with local market monopolies while preventing them from directly competing with one another.

The Council report states: "The National Information Infrastructure will only develop fully if competition can flourish at all levels. It is imperative that industry and government focus on removing obstacles to competition in the immediate future."

The Council has achieved a consensus among key industry factions which are often on opposite sides of regulatory issues. These include long-distance telephone companies such as AT&T, regional telephone companies such as Pacific Bell and Nynex, and cable TV companies such as TCI and Viacom.

"We are all agreed that everyone should be able to compete in any part of the communications business," says John Young, retired chief executive of Hewlett-Packard and co-chairman of the Council's 21st century information infrastructure project. "The question is what are the transition rules that can get you from regulated monopolies to open competition."

To enlarge competition, the Council recommends the "unbundling of essential services" by all communications providers, including regional telephone companies. This would encourage new entrants into the market by enabling them, for example, to make use of existing networks and switching equipment. At the same time, the Council recommends dominant existing communications companies should be given greater flexibility in determining prices for their services.

Council members also agreed that all service providers should share the cost of providing "universal service" at minimal prices, a key tenet of the administration's policy. Currently, local telephone companies provide basic local telephone services at minimal prices. Typically, the phone companies subsidise these by charging higher prices for business services.

"If some Teleport comes in and wants to compete in just the business market, they are going to have to contribute" to the cost of universal service, Young explains.

The Council also agreed on the contentious issue of allowing regulated service providers to enter new markets. Regional telephone companies, for example, are prohibited from entering the long-distance telephone service market and from providing video programming.

Council members differed strongly, however, on whether new competitors should be allowed to achieve a specified share of an established provider's market before restrictions on entering new businesses are lifted.

Competition Policy: Unlocking the National Information Infrastructure. Council on Competitiveness, 900 17th St.NW, Suite 1050, Washington, DC 20006. $25.00.

Worth Watching · Della Bradshaw

Battery that packs its own recharger

If you are wondering whether to stick to primary batteries or whether to invest in a recharger, the solution could be the "Flip Top", a battery which contains its own recharging unit.

The bright pink top of the nickel cadmium battery flips over to reveal a two-pin plug. This can be plugged into a standard US electricity socket where the battery is recharged.

The battery incorporates a miniature charging circuit and a 1.25 volt cell in a standard size casing. The battery can be charged more than 500 times according to manufacturers Power Battery Holding Corporation, of Bellevue, Washington.

At the moment Power Battery Holding Corporation makes a size D battery only and just for the US market, but other sizes are planned. Power Battery Holding Corporation: US, 206 641 7155.

UK's most popular technology devices

Ten years after the launch of the IBM personal computer in the UK, the PC has become one of the top three technological devices in use in Britain.

Not suprisingly the most populous device was the remote control unit – 88 per cent of homes have those – followed by the microwave oven, which inhabits 69 per cent of UK homes. One in three households (32 per cent) now own a PC, while 42 per cent of respondents said they used a PC at home or work. The survey was conducted by Gallup for IBM. IBM: UK, 0705 561000.

Dialling a lower lighting bill

Few businesses would even consider that their internal phone system could help cut the lighting bills. But Morgan Automation, of Liss, Hampshire, has developed a telephone-controlled lighting system which, the manufacturer says, can cut lighting bills by more than 40 per cent.

As staff enter the building they trigger a core of essential lighting. They then control the lighting around their desks by dialling specified numbers on their phones. Typically 70 per cent of the lighting in an office block could be controlled through the phone network.

The Morgan system incorporates a computer which links the lighting and phone systems. The smallest system costs around £13,000. Morgan Automation: UK, 0730 895900.

Speedier tests for infectious diseases

Testing for infectious diseases such as HIV can be time-consuming. A Vancouver company has developed a test which can give the results in minutes by testing saliva rather than blood.

The test, developed by Saliva Diagnostic Systems (SDS), involves placing a specially developed swab in the mouth. When enough saliva has been collected the stick attached to the swab turns blue. The device is then inserted into a waiting fluid-filled tube. As the assay recognises the existence or absence of the HIV antibodies, the colour changes. SDS: US, 206 696 4800; UK, 071 415 0550.

Yuletide greetings delivered by fax

For those who cannot bear the thought of writing out and posting Christmas cards, how about faxing the season's greetings to your clients?

Xpedite, the York-based arm of the US company, is offering its clients the chance to send the season's greetings by fax. Xpedite specialises in sending broadcast fax messages – where a single message is sent to hundreds, even thousands, of different locations. Clients typically include financial services companies wanting to keep in touch with their intermediaries or travel companies wishing to send details of late bookings to travel agents.

Each "card", decorated with bells, angels or a snowman, costs 12p to send. Xpedite: UK, 0904 690000.

Europe switches over to digital TV

Andrew Hill explains why the political fizz has gone out of HDTV

A year ago, a fierce political and technological argument about the future of the European strategy to develop advanced, cinema-quality television raged between European ministers.

Strong words were exchanged – particularly between Britain, which was blocking funding for high-definition television (HDTV), and its EC partners. The issue was even discussed informally by prime ministers and presidents during last December's Edinburgh summit.

Since then, the political fizz has gone out of the issue. This month, the same telecoms ministers who promised to fight to the final TV set to defend certain HDTV transmission standards, passed a resolution supporting new initiatives to develop digital television – a more versatile technology than the analogue systems originally backed by Europe. The words "high definition" were not even mentioned in the ministers' final communiqué.

The change of tack follows June's meeting of telecoms ministers, at which Britain finally agreed to back a much-diluted plan for Ecu228m (£174m) of European Union funding to promote wide-screen television services over the next four years. The plan, unlike the original Ecu850m proposal of the European Commission, is not linked to particular satellite transmission standards. Indeed, the latest ministerial meeting laid the groundwork for the rewriting of a 1991 directive so as to remove most references to mandatory standards.

This does not mean that HDTV has been abandoned completely. But in the medium term, the Commission and the ministers have recognised that digital television of standard or enhanced quality offers greater opportunities to the European consumer electronics industry.

The EU is pinning its hopes on the Digital Video Broadcasting Group, formed in September under the aegis of the German telecoms ministry. This group unites 120 interested parties, including television manufacturers, broadcasters, satellite operators, governments and the Commission itself, behind a digital strategy.

One of the group's aims is to come up with common European standards for transmission and pay-TV decoders, but it seems unlikely that these will be made mandatory unless it is obvious that consumers have taken to them. The digital group is expected to talk to the European standard-setting bodies, Etsi and Cenelec, shortlyy about a multiplex digital standard for Europe (that is, a standard which allows several channels to be broadcast on each digital signal). This could be formalised by the end of next year.

This time round, common European standards will not be used to fight US and Japanese competition. As Jos Kestens of Cenelec said last week: "Standards are tools and normally tools aren't used as weapons." The Commission has already said that it would be desirable for systems serving the main worldwide markets to share as many elements as possible, although a worldwide standard is unlikely because of technical differences.

But the Commission and ministers do want to avoid a proliferation of competing systems in Europe. That applies to systems for encoding – or, to use the satellite TV jargon, "encrypting" – subscription satellite channels, as well as the transmission standards themselves.

The hope is that co-operation under the umbrella of the digital group will deter broadcasters and manufacturers from developing incompatible technological systems at great cost.

Ministers also hope that competing satellite broadcasters will think twice before developing widely differing encryption systems to protect themselves from increasingly sophisticated pay-TV pirates. Instead of living rooms cluttered up with a variety of different decoders, one for each pay-TV channel the consumer wants to receive, officials believe it should be possible to develop a single European family of encryption standards, perhaps based on "smart" access cards.

Whatever happens, governments are unlikely to fall again into the trap of dictating exactly what sort of pictures the European television viewer will watch in the 21st century, and how these pictures reach the screens.

PACIFIC QUAY

In its time the River Clyde has seen the launch of many of the world's most famous ships, whilst its docks and quay sides have been the starting point for ocean voyages around the globe.

Now the Glasgow Development Agency is proud to announce the launch of its new flagship - Pacific Quay - a 60 acre leisure and business development of international quality on the River Clyde right in the heart of Glasgow.

Pacific Quay is an outstanding site which merits an exceptional development. In order to realise this aim, the Agency intends to form a partnership with one or more companies with the experience and capabilities required to bring about a major mixed-use project.

Developers and leisure companies with relevant experience are invited to register their interest.

Development details for submissions are available from:
Colin Morris
Project Director
Glasgow Development Agency
Atrium Court
50 Waterloo Street
Glasgow G2 6HQ

Tel 041 204 1111
Fax 041 242 8250

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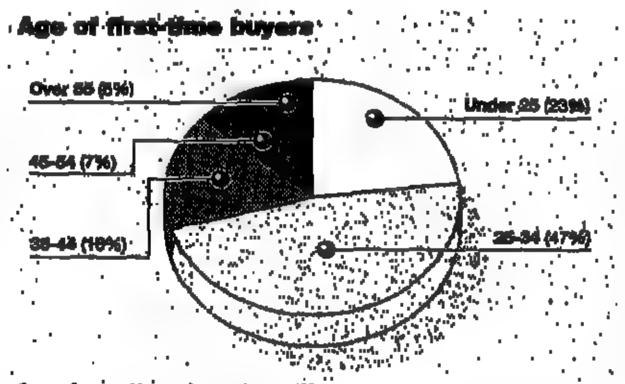
PACIFIC QUAY

THE PROPERTY MARKET

Signs of life stirring in house and home

Hugh Mulcahey on a climate encouraging steady investment

Age of first-time buyers



Source: Council of Mortgage Lenders August 1993

UK residential property, which in recent years has been a burden round the necks of many investors, is becoming an area worth looking at again.

The widely publicised problems of many individuals, who are suffering negative equity with mortgages higher than the value of their property, and companies burdened with debts should not distract potential investors from current opportunities. Housing market activity and foreign investment appear to be picking up.

One sign that the market is far from dead was the recent sale of the newly renovated 9 Tregunter Road, Chelsea, for about £8m. And Far Eastern confidence in the prime market in the core of London seems to be strong: nine houses at Cambridge Gate, overlooking Regent's Park, have been sold on a 150-year lease to Singaporean developers. They aim to convert the property into flats and houses with a development value of more than £30m.

Foreign money has been attracted into the prime market since the revaluation of the pound, after its departure last year from the European exchange rate mechanism. Overseas purchasers now account for about half of the prime market, and are estimated to have invested more than £500m in central London. Agents report a rise in residential land prices in and around the capital.

But could investors and developers be mistaken in their optimism? Although the prime market depends, to a large extent, on cash-rich foreign investors, it cannot be entirely separated from the UK market as a whole.

The residential market is driven by first-time buyers. Next year, the number of 28-year-olds – the average age of a first-time buyer – in the population is set to peak, as the effects of the 1960s population boom work their way through. This group contains many who have been resisting home ownership since 1988. It is also the section of the population most likely to have children, and to want a family home.

But this market includes those who can wait a little longer for a home and those whose domestic requirements have changed while they have been waiting to buy. As a result, in the medium term, the UK residential market is likely to be more mature and more stable then in the 1980s. A steadier demand for homes should reduce the likelihood of the market overheating – and produce the ideal climate for the overseas investor.

The stability of the market does not preclude opportunities to make profits, but developers will be expected to provide larger units and sell them for less. So even though building costs are low at the moment, developers' margins will be squeezed. While the market remains weak, developers have to increase building density to maintain profit. It is a happy coincidence that the Department of the Environment has indicated in recent Planning Policy Guidance notes a shift in attitude towards residential development in inner urban areas.

In March 1992, PPG3 (Housing), for example, emphasised the importance of developing urban sites to take pressure off green belts. Local authorities were told that, where city-centre sites showed no realistic prospect of redevelopment with existing permission, they could redesignate the site for housing use.

The draft revision of PPG13 published earlier this year further emphasised the desirability of inner-city living. Stressing the government's wish to "reduce the need to travel", the paper identified that there was a relationship between low residential densities and increased travel, particularly by car. The DoE has indicated it will encourage higher-density developments at or near public transport facilities.

Until now, many London authorities have adopted lower density standards – as low as 70 habitable rooms per acre (hra). As long as there is no loss of amenity and good use is made of existing public transport, developers can make residential developments profitable. Sites in London around King's Cross and Paddington Basin, for example, could offer this potential.

One part of the market that could be set for revival is residential lettings, which have traditionally proved unpopular with investors, particularly institutions. Now that a proportion of the population defers the purchase of a home, legislation exists to protect landlords and higher building densities may be permitted, investors should not ignore opportunities in this sector. Even the requirement, often dreaded, to provide affordable housing could be turned to the advantage of developers who enter into partnership schemes.

Sectors must be correctly identified and targeted: the costly mistakes made in Docklands in the last boom illustrate the danger of missing the target. Some of the demand from overseas investors is being met through the change in use of commercial sites and buildings to produce new residential accommodation or by developing outside the traditional residential core. Such sites could provide prime residential property and secondary accommodation to sell and to let. The government, by signalling its desire to house people closer to the workplace, has given many of those holding redundant commercial sites a way out of problems.

In addition, since the recent Budget, when the option of depreciating property assets for tax purposes was removed, there is no longer anything to be gained by holding property.

Moreover, it is now possible to finance residential schemes, whether large schemes for rented accommodation or small, high-value developments to be pre-sold in the Far East. Residential property can also be efficiently managed as a long-term investment.

Many developers and investors have already taken the plunge and acquired buildings and sites, driving up land prices, yet there are still many opportunities for those who can identify and provide what the occupier really wants.

The author is a senior consultant in the research department of Chesterton International.

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هكذا من الاصل

Jennifer Saunders, Benedick Blythe and Dawn French in Mary Agnes Donoghue's play

Theatre/**Malcolm Rutherford**

Me & Mamie O'Rourke

There were already two first-class American plays showing in London: David Mamet's *Oleanna* at the Duke of York's and Tony Kushner's duo, *Millennium Approaches* and *Perestroika* at the Royal National Theatre. Out of the blue comes another: *Me & Mamie O'Rourke* at the Strand is the most intriguing and straight-forwardly enjoyable of the lot.

Mary Agnes Donoghue's piece has Hollywood written all over it, which is not surprising since all her previous work has been for the cinema – *Paradise* and *Beaches*, for examples. On stage, it is not the glamour, multi-scene changing and technological brilliance of Hollywood that stand out, but rather the sheer hard work that goes into short, terse dialogue that can be witty and touching at the same time. *Me & Mamie* has only one set, designed by Ultz, and the classical unities are observed throughout.

Ms Donoghue has achieved something else. She has written a provocative play that will not offend anyone, except perhaps militant feminists. Never underestimate that talent if you want an audience. Ms Donoghue raises questions, mainly about the role of women, without telling you what to think. She never rants, she keeps her sense of humour in adverse circumstances, and there is not the slightest descent into American sentimentality.

Two women dominate the stage, so much so that it is hard to think of another play where a pair of females are in command for so long. Louise (Jennifer Saunders) is the fairly fed up wife of an unemployed architect who wants to knock down their house in Los Angeles in protest, he says, against middle class respectability. Gradually he does so, though without any greater theatrical ostentation than the dropping of the odd brick and mortar. Louise draws the line at the hacking out of of her favourite, imitation Adams, fireplace.

Back in the basement, where all the dialogue takes place, Louise talks to her friend Bibi (Dawn French). Should they, they wonder, has a shot at lesbianism? "We'll have to get a bit drunker first." They try, they fail, but the experience does not end in tears. Where this scene scores theatrically is that it is not over-explicit. Neither of them takes off many clothes, hardly more than a pair of boots. It scores intellectually because they realise they are getting nowhere, but it was still worth trying. Their simple conclusion is: "Why can't a man be more like a woman?"

The environment is highly intelligent. There are educated Californians who believe that learning should go on long after school. No form of therapy is unknown to them. Bibi is taking a doctorate in animal behaviour; she is also – as demonstrated by her actions on stage, shaving carrots and making soup while she talks – an accomplished cook. Louise is working quietly in her basement on designer bullet-proof vests and, being where it is, there is always the possibility of an earthquake underneath. The suitably fast direction of the one-liners is by Robert Allan Ackerman.

Strand Theatre. (071) 930 8800

Artists drawn to the club

William Packer on the continuing popularity of The London Group

The artists' exhibiting society has been a feature of the British art world ever since the founding of the Royal Academy. The essential unclubbability of the artist was always largely a myth – egocentric yes, but not unclubbable – and how else was he to set his work against that of his peers and before the public?

The Academy set the pattern and, by its very success, made the proliferation of junior rivals inevitable. Up they sprang through the 19th century, the Royal Society of This and the Royal Association of That, all soon to be reacted against in their turn.

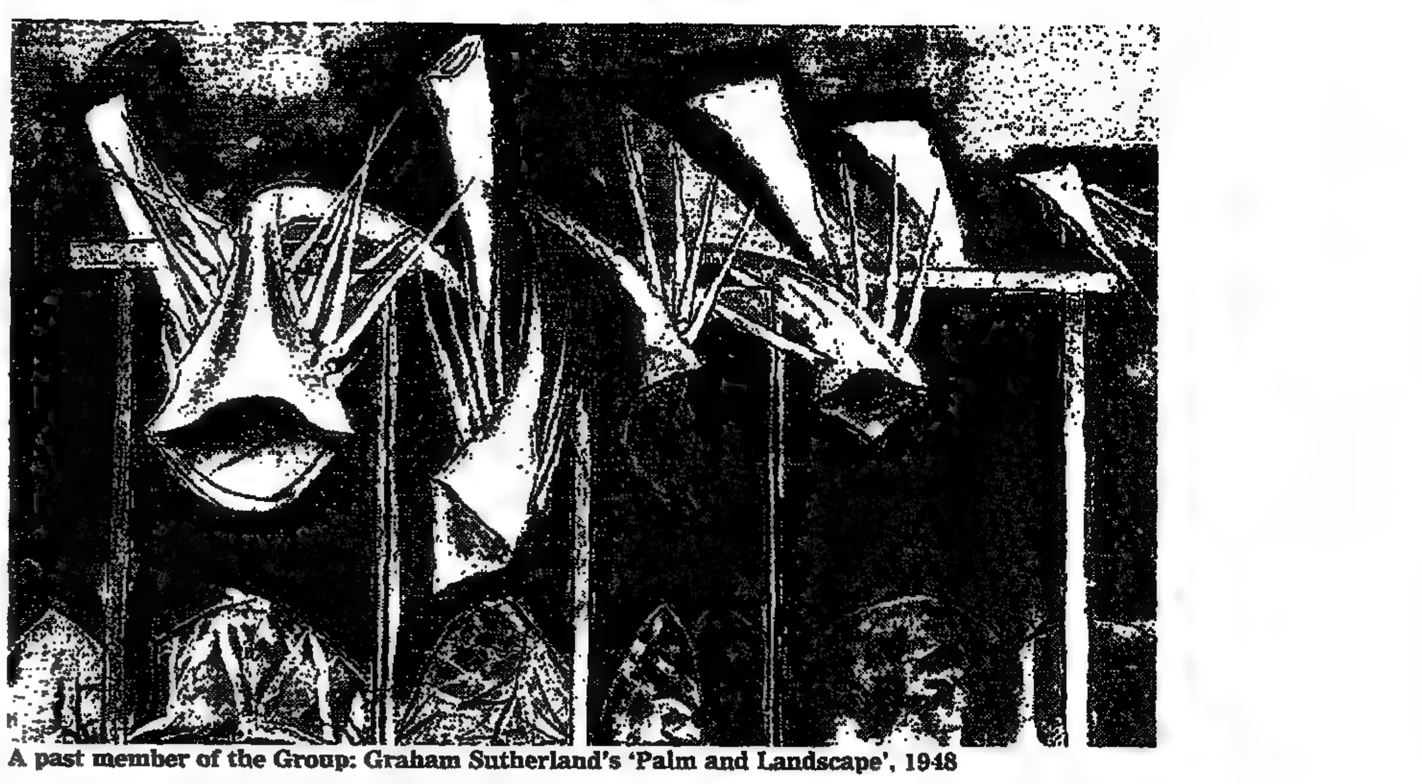
Some groups, especially the more experimental, proved all too disputatious and ephemeral – Wyndham Lewis's Vorticists before the first world war, for example, and the Seven & Five Society after. But two have proved as resilient as any: the New English Art Club, set up by Whistler, Wilson Steer and their cronies at the turn of the century which openly cocked a snook at the Academy; and The London Group, born on the break-up of the Camden Town Group in the autumn of 1913.

Eighty years on, the list of sometime members and exhibitors with the London Group is almost a roll-call of British modernism, from Sickert, Lewis and Epstein, through Bomberg and the Nash brothers, Spencer, John, Gertler, Bell and Fry, to Hepworth, Hitchens, Moore and Piper and so on to Heron, Pasmore, Auerbach, Rego, Frink, Davie and Bellany in more recent times. Even so, it is hard to say quite why the Group remains important. It has had its moments of near-terminal crisis, and long fallow periods, and yet still its disappearance would be a real loss. Happily, any such outcome now seems remote.

The London Group is run by artists for their own benefit and interest, quite independent of the judgment of important dealers and museum curators and their view of what is saleable and what significant. Conceptual installations may still command international exhibitions and awards, but painting, on this evidence, is still a resilient and healthy plant which no narrow critical correctness will stifle.

Such is the plethora of choice and opportunity facing the young artist these days, with generous prize exhibitions and an enormously expanded acreage of gallery wallspace available, that the kind of opportunity the London Group represents is too easily undervalued and overlooked. Thirty years ago, when I was a student myself, its annual open-submission exhibitions gave young artists pretty well the only chance they had of getting work onto a public wall in the company of their peers. And of them all, it was with the London Group that we most wished to show because of the distinction of its members, the rigour of its selection and the knowledge that one's work really was to be submitted to the judgment of one's peers.

So it still is – and the approbation of one's fellow artists is still the most gratifying. Lately, after wandering for a while, the London Group seems to have found a home at the Barbican. The curving Concourse Gallery is not the easiest of spaces but, used well, it is impressive and this 80th celebratory show is as well-chosen and hung as any of its recent occupants. No open show can ever be better than its submission, but the Group evidently still attracts a strong professional entry. The selection is properly catholic, setting abstraction against figuration of all kinds, and trusting the strength and quality of the particular work to hold its own in the company. It would be invidious to pick out names other than as typical of the whole, but I do recommend Ray Atkins, Gus Cummings, Adrian Bartlett, John Copnall, Trica Gillman, Albert Irvin, Anthony Whishaw, Stan Smith and Ken Oliver among the members and, of the outsiders, Shanti Panchal, Georgina Hunt, Susan Hawker and Mark Dunford.



A past member of the Group: Graham Sutherland's 'Palm and Landscape', 1948

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Both Graham Sutherland and Edward Burra showed with the London Group in their time, and it is by a nice coincidence that both are celebrated in current exhibitions, if only for another week. The Sutherland, at Bernard Jacobson, is a show of real distinction, a choice group of comparatively small paintings of landscape and organic forms. They represent the artist on his surest ground and in his strongest period, most especially the 1940s and '50s, with a handful of his pre-war prints for good measure. The show has been extended beyond its advertised run until Christmas Eve.

The Burra show at Lefevre is more of a curiosity but none the less engaging for that. Given the incidental and picaresque preoccupations of his early work, in particular the louche bar and café life of the Marseilles waterfront of the early 1930s, it seems no more than obvious that he should have worked for the theatre. The only surprise, on the strength of these remarkably lively and witty sets of costume designs for various productions of the 1930s and '40s, is that he was not working all the time. My own favourites are the figures for *Carmen*, at Covent Garden in 1946, but from *Rio Grande* of 1931 to *Don Quixote* of 1949, all have their considerable charm and quality.

The London Group's 80th Open Exhibition: Concourse Gallery, Barbican Centre, EC2, until January 7. Graham Sutherland: Bernard Jacobson Gallery, 14a Clifford Street W1, until December 24. Costume Designs by Edward Burra: Lefevre Gallery, 30 Bruton Street W1, until December 21.

C. Masson/I.O. Brillouin/Enguerand

Harry Nicoll and Ann Panagulias as Médor and Angélique

Opera in Paris/**Andrew Clark**

Lully's 'Roland'

Nothing in France's operatic life has given greater cause for cheer in recent years than the rediscovery of its baroque heritage. The principal beneficiary has been Lully: first came the ground-breaking *Atys* at the Opéra-Comique in 1987, then a project by the Théâtre des Champs-Elysées to stage his three tales of medieval chivalry – *Amadis*, *Roland* and *Armide*.

That trilogy has just been completed with the first performances for more than two centuries of *Roland*, in a production which Paris is sharing with Lisbon, Montpellier and Lyon. The title role is sung by José van Dam, an acknowledged master of French style. The conductor is René Jacobs, one of several rising stars in period instrument performance on the continent. And the producer – a Belgian like the other two – is Gilbert Deflo, fresh from a string of successes in Monteverdi. Why, then, was *Roland* such a flop?

It is hard to blame the work itself. Premiered at Versailles in 1685 in the presence of Louis XIV, who had chosen the subject, *Roland* is based on Ariosto's epic poem *Orlando furioso*, which was to inspire numerous other composers after Lully (including Handel, whose opera comes to the Théâtre des Champs-Elysées in February). This was the tenth *tragédie lyrique* on which Lully and his librettist Philippe Quinault collaborated, and their experience shows.

The libretto is a masterpiece of compression. Roland woos Angélique, who prefers Médor; his love unrequited, Roland vents his anger, is put to sleep by a fairy and wakes up calmer, wiser and determined to seek glory in defence of his country. The theme – tailored to suit the mood of the French court – is the eternal conflict between love and reason, dressed in the clothes of crusading knights and oriental queens. The only obvious weakness is structural: Roland does not appear in the first act, is overshadowed by Angélique and Médor in the next two and dominates Acts four and five.

Whether the music matches the quality of Lully's other mature stage works was hard to tell from this performance. It *sounded* less good, but judgment was heavily influenced by the nondescript staging. William Orlandi confined his decor to a series of anonymous pictorial drop-cloths, overhung by wave upon wave of puffy cloud. No attempt was made to recreate the effects of baroque machinery or provide a sense of spectacle. The principals gestured vacuously. The chorus, dressed in wishy-washy apricot robes, adopted static, doll-like poses. The dances were anodyne.

In the pit, Concerto Köln played with precision and textural refinement – but this was more than offset by Jacobs' strict tempos and unyielding rhythms, robbing the recitatives of their supple expressiveness. Only in the gentle airs and symphonies of the final act – which must rank among Lully's most noble music – did Jacobs begin to relax.

The other major problem was the undercasting of three major roles. Ann Panagulias, who made her name as Lulu in San Francisco, lacked the histrionic and vocal opulence for Angélique. Harry Nicoll, in the *haute-contre* part of Médor, sounded puny and looked effeminate. Claire Brua turned the benevolent fairy Logistille into a dull figurine.

Not all was gloom. The words were audible. Thémire, Angélique's confidante, was sung by the statuesque Véronique Gens, whose handsome low soprano deserves wider hearing. Rufus Muller's Tersandre livened up the pastoral *divertissement* of the Act four wedding party. And despite an unflattering red wig and costume, José van Dam sang with all the conviction he could muster. Here at last was evidence of Lully's seamless fusion of verse and music; here was evidence of psychological development, as Roland's hope gave way to despair. But Van Dam could not carry the show alone. Perhaps the merits of *Roland* will be more obvious when the promised recording is issued next Spring.

The Arts Council tries to keep things sweet

England's arts companies discovered yesterday how much subsidy they will receive from the Arts Council in 1994-95 – and for most of them the news was better than anticipated. Despite receiving a cut of £3.2m, or 1.7 per cent, in its grant from the government, the Council, with its usual sleight of hand, has given most of its clients same again funding next year.

So Covent Garden (which still takes in Birmingham Royal Ballet) is frozen at £19.5m; the ENO at £11.65m; the National Theatre at £11.16m; and the RSC at £8.47m. Since all these companies must have been planning on a small reduction in grant they should be marginally relieved. It is the same across the board. The South Bank Centre gets £13.4m; English National Ballet £3.6m.; Manchester Royal Exchange £1.3m.; Opera North, £3.8m, and on and on.

There are a few rogue payments. Following through with its declared, and unpopular, aim, of boosting contemporary dance and the visual arts, the Council has given Dance Umbrella a 20 per cent uplift, at £175,000; Rambert gets 35 per cent more at £1.2m; and Shobana Jeyasingh, flush with £100,000 as the Prudential Awards winner, enjoys 34 per cent more from the Council at £170,000. Michael Clark receives his first £100,000.

In the visual arts, the Whitechapel has a 6.8 per cent improvement to £471,000; the Photographers Gallery almost a 13 per cent uplift at £352,000; and the Serpentine, which is threatened with a totally outrageous increase in its rent from the Royal Parks, is bolstered with almost 9 per cent more, at £248,000.

There is the odd casualty: principally Glyndebourne Touring, and the Regional Arts Boards, which fund thousands of small arts groups, are suffering a reduction in grants of up to 4.5 per cent. But the Council has done its bit to keep the arts going through 1994 when falling box office income, reduced sponsorship, and squeezed local authority funding will make survival difficult.

The Council found the money by cutting £2m from its £14m budget for new projects and schemes, especially in the theatre. This is bad news for touring drama companies, many of which might now close. As secretary general Anthony Everitt said yesterday, "the aim is to protect the basic infra-structure of arts organisations throughout the country".

By this clever package the Council has gone a little way towards recovering some of the massive loss of face and confidence it suffered through its mishandling of the funding of the London orchestras. On Wednesday it confirmed that all four would receive virtually identical grants next year – a complete climb down from its aim to axe two and create two super orchestras.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

Boycott threat

No sooner has Gérard Mortier announced his programme for next summer's Salzburg Festival, than the Vienna Philharmonic threatens to boycott the festival after 1995. The conflict reflects Mortier's continuing campaign to sweep away Salzburg's ancien régime and make the festival more contemporary.

Mortier says the Vienna Philharmonic – for long the festival's guarantor of musical standards – is an expensive luxury, because it demands extra rehearsals for works that are not in its normal repertory. For its part, the orchestra accuses Mortier of making defamatory remarks and leaking their discussions to the press.

Ever since Mortier took over as director in 1991, the Vienna Philharmonic has eyed suspiciously the enlarged role given to other ensembles. The centrepiece of next year's concert programme, for example, is a Beethoven cycle conducted by Nikolaus Harnoncourt – to be played not by the Vienna Philharmonic but the Chamber Orchestra of Europe.

The Vienna musicians say that if Mortier further reduces their workload or income, they see little point giving up their summer holidays to work at Salzburg. Vienna's mayor, Helmut Zilk, has backed them up with the promise of a special summer festival in the Austrian capital. If the conflict comes to a head, it will prove the biggest test yet of the Salzburg establishment's patience with Mortier, who has not stopped ruffling feathers since his appointment as Karajan's successor was announced.

The 1994 opera programme is headed by a new production of Don Giovanni, conducted by Daniel Barenboim and staged by Patrice Chéreau, with a cast including Ferruccio Furlanetto, Bryn Terfel and Cecilia Bartoli.

There will be three new Stravinsky productions, one of them conducted by Kent Nagano and staged by Peter Sellars. Samuel Ramey will sing the title role in Boris Godunov, and Peter Stein will direct Shakespeare's Antony and Cleopatra. The contemporary music programme features a new Helicopter Quartet by Stockhausen, to be played by members of the Arditti Quartet in four airborne helicopters, with the composer co-ordinating the sound in the concert hall.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dawn of the Golden Age: Northern Netherlandish Art 1580-1620. Ends March 6. Closed Mon

Museum Het Rembrandthuis The Netherlands from Life: a visual walk through the countryside of 17th century Holland, with 90 prints of landscape and rural life by Ruisscher, Rembrandt, Van de Velde and others. Ends March 6. Daily

Van Gogh Museum Georges de Feure and Félix Bracquemond: retrospective of the Dutch Symbolist painter and the late 19th century French printmaker. Ends Feb 13. Daily

Stedelijk Museum Donald Judd: sculptures from Dutch public collections. Ends Jan 23. Daily

BARCELONA

Museu Picasso Picasso and the Bulls. Ends Jan 9. Closed Mon

Fundació la Caixa Portraits from the Court of Versailles. Ends Jan 30. Closed Mon

BOSTON

Museum of Fine Arts The Age of Rubens: the largest survey of Flemish painting ever held in America, comprising 133 pictures from the Prado, the Hermitage, London's National Gallery and other European institutions. There are 35 pictures by Rubens, eight by Van Dyck and four by Jordaens. Ends Jan 2.

COLOGNE

Wallraf-Richartz-Museum Stefan Lochner: paintings and drawings by Cologne's most important 15th century artist. Ends Feb 27. Closed Mon

Josef-Haubrich-Kunsthalle From Malevich to Kabakov: the Ludwig collection of 20th century Russian avant-garde art. Ends Jan 2. Daily

EDINBURGH

National Gallery of Scotland Treasures from the Mesdag Collection: 50 key works by the members of the Hague and Barbizon Schools. Ends Feb 7. Daily

FRANKFURT

Städel Landscape and Interior: 19th century French and German prints. Ends Feb 28. Rosso Fiorentino's Madonna with the Child John. Ends Jan 30. Closed Mon

Jahrhunderthalle Hoechst Giorgio Morandi: paintings, watercolours and drawings by the early 20th century Italian still-life painter. Ends Jan 23. Daily

Schirn Kunsthalle Georg Flegel (1566-1638): 260 works by one of the major still-life painters of the early 17th century. Ends Feb 13. Daily

LAUSANNE

Musée d'Art Contemporain Takis (b1925): retrospective of the self-taught Greek artist, featuring sculptures and installations which produce sounds, light and movement. Ends April 4. Daily

Musée Cantonal des Beaux-Arts Masterworks of the 18th and 19th Centuries: paintings by Renoir, Degas, Cezanne, Bonnard, Vuillard, Vallotton and other works from the museum's collection. Ends Aug 14. Closed Mon

LONDON

Victoria and Albert Museum Art of Holy Russia. Ends Jan 8. Daily

Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent. Ends Jan 23. Daily

Tate Gallery Ben Nicholson. Ends Jan 9. Daily

Royal Academy of Arts Great Master Drawings from the Getty Museum. Ends Jan 23. Daily

British Museum Drawings from Chatsworth. Ends Jan 9. Daily

Courtauld Institute Alejandro Xul Solar (1887-1963): prints and drawings focusing on the visionary representations of new architectures devised by one of the leading avant-garde artists working in Buenos Aires from the mid-1920s. Ends Feb 27. Daily

MADRID

Prado Goya: cabinet pictures, sketches and miniatures. Ends Feb 15.

Fundacio la Caixa J.M.W. Turner: drawings and watercolours from the Tate Gallery in London. Ends Jan 20. Closed Mon

Centro de Arte Reina Sofia Bruce Nauman: 60 works drawn from all period's of the American conceptual artist's career, including a selection of early untitled sculptures, a corridor installation and nine neon sculptures. Ends Feb 21. Vienna 1900. Ends Jan 10. Agnes Martin retrospective. Ends Feb 12. Closed Tues

NEW YORK

Metropolitan Museum of Art Lucian Freud: 80 paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Ends March 13. Closed Mon

Guggenheim Museum Roy Lichtenstein. Ends Jan 16. Industrial Elegance: objects of everyday mechanical beauty selected by 63 architects and designers. Ends Jan 23. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Joan Miro: 400 paintings, drawings, sculptures, ceramics, prints and illustrated books by the Catalan master. Ends Jan 11. Robert Ryman. Ends Jan 4. Closed Wed

PARIS

Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Fnac shops)

Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: the three monumental versions of the Dance ordered by Dr Barnes for the principal gallery of his foundation in Merion are shown for the first time side by side, together with preparatory sketches and photographs. Ends March 6. Closed Mon (11 ave du President Wilson)

Louvre The newly-opened Richelieu wing offers a dazzling setting for the collections of Islamic art, medieval art (including the Treasure from the Abbey of Saint-Denis), Rembrandts and Rubenses, and French paintings from the 15th to 17th centuries. Closed Tues

Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries. Ends Feb 27. Closed Mon

ROTTERDAM

Museum Boymans-van Beuningen Italian Paintings 1300-1500: 26 paintings by early Italian artists from Bologna, Florence, Siena and other towns in northern and central Italy, plus a wide selection of contemporary prints and drawings. Ends Feb 27. René Block Collection: works by Beuys, Polke, Richter and other modern artists, collected since the 1960s by the renowned German exhibition maker. Ends Feb 6. Closed Mon

SAINT-ETIENNE

Musée d'art moderne Between Serenity and Disquiet: European art from the 1960s, including works by Balthus, Morandi, Dubuffet, Bram and others. Ends Jan 30. Daily

VENICE

Palazzo Grassi The Unknown Modigliani. Ends Jan 4. Daily

VIENNA

Kunsthistorisches Museum Baroque in Naples 1707-34: Neapolitan art from the era of the Austrian Viceroys. Ends Feb 20. Closed Mon

Albertina French Drawings from Clouet to Brun: 150 works from the Albertina's collection of 16th and 17th century French drawings. Ends Jan 23. Daily

Jüdisches Museum Jewish Vienna: a cultural history of Jews in the city. Ends May 15. Closed Sat

KunstHaus Joan Miro: 120 sculptures. Ends Jan 24. Daily

WASHINGTON

National Gallery of Art The Age of the Baroque in Portugal. Ends Feb 6. Nine Old Master Drawings: works by Dürer, Van Dyck, Rembrandt, Goya and Tiepolo, recently donated to the museum. Ends Jan 30. Cesarini Venus: Giambologna's marble masterpiece (c1583) is the centrepoint of an exhibition focusing on the female nude. Ends Jan 17. Daily

National Museum of Women in the Arts Judith Leyster: ten works by the 17th century Dutch genre artist. Ends April 3. Daily

Hirshhorn Museum Willem de Kooning. Ends Jan 9. Daily

Walters Art Gallery Artists of Ecouen. Ends Feb 6. Closed Mon

Nightmare on Marsham St

Michael Cassell on a welcome change of address for the UK environment department

The customers in Sabrina's sandwich bar, just across the road, were unanimous: "It's the pits," volunteered motorcyle messenger Mr Jason Webb. "It's a dump," claimed legal clerk Mr Stanley Singer.

Mr Webb and Mr Singer are in good company. According to Mr John Gummer, environment secretary: "It is staggeringly and revoltingly offensive. It is ugly, unsympathetic, unhygienic and unsafe."

Mr Ian Clegg, spokesman for the four trade unions that work in it, has no argument with Mr Gummer: "It's the most depressing place I've ever worked in. Good riddance."

The target of their scorn is 2 Marsham Street, Westminster, the crumbling, concrete monolith which, since completion in 1971, has led an ironic double-life as headquarters for the Department of the Environment and one of London's best-known, least-loved eyesores.

Now, after the long-awaited announcement of plans to relocate the 3,000 people who walk its dark, identical corridors, the end is nigh for the 650,000 sq ft office complex known locally as "faulty towers".

Faced with estimated refurbishment costs of at least £50m, ministers have decided that it will be reduced to rubble in 1998. Left behind will be a five-acre site worth about £25m, and questions over why it was allowed to be built in the first place.

The weather-stained building, which also houses the Department of Transport, has lacked friends almost since the day it was designed in the 1960s by Mr Eric Bedford, chief architect to the old Ministry of Public Building and Works.

The ministry was to become part of the DoE, created at the start of Sir Edward Heath's premiership in 1970.

Its three, 200ft tower blocks breach a historic skyline noted for architectural landmarks such as Westminster Abbey and the Palace of Westminster. The lifts that serve them are unreliable and slow, and stop short of the top floor.

Last month, as he went to tell staff the details of the proposed relocation, Mr Gummer was trapped in a lift for 20 minutes: "Its number was 666 – the mark of the devil," he recollects with a wry smile.

Mr Gummer, like successive environment secretaries before him, has welcomed visitors to his 16th-floor suite, explaining that their viewpoint is the only one in central London not rudely interrupted by 2 Marsham Street. Independent Television News omitted the windswept tower blocks from the classy, computer-generated views of central London that introduce its bulletins.

Tony Andrews

The DoE's three 200ft tower blocks: worth far more as rubble

The building's visual shortcomings are matched by its deteriorating physical state. Outside, green netting hangs from scaffolding to catch the shards of concrete that occasionally break free from precast wall panels to expose rotting reinforcing steel; windows remain partially open because they no longer shut.

Civil servants on the south side of the complex can enjoy dramatic summer sunsets over Battersea while they fry in office temperatures of 30°C; in the winter, it can take the struggling boilers 48 hours to warm up the building.

The DoE's next home will be in nearby Victoria, after a combination of cost considerations and threatened insurrection among staff ended the dream of former environment secretary Mr Michael Heseltine to move it east to Docklands.

The new headquarters, incorporating the ultimate in "green" credentials, will attempt to make amends for a building that has lasted barely 25 years and which, with hindsight, should never have left the drawing board.

But Marsham Street was not out of place in its time, merely another utilitarian statement of the modern movement in architecture, which has left behind it equally unpopular and discredited buildings elsewhere in London and other provincial cities.

Mr Bedford employed state-of-the-art industrialised methods to fulfil his brief of housing, as quickly as possible and at minimum cost, the maximum number of people under one ministerial roof.

He had problems from the start. Massive reinforced concrete structures already filled much of the former gas works site and were too big to be broken up; they partly dictated the final, user-unfriendly design of the new building.

The £5.5m construction contract – carried out by Bernard Sunley, now part of Lonrho, and M J Gleeson, still a family-run, quoted construction company – employed a pioneering building system designed specifically for the large-scale construction project. The simple, repetitious lay-out permitted mass-production of many construction components on site. But aesthetics, along with the need to create a practical, working environment which fitted comfortably into its surroundings, were given short shrift. "The building is so remarkably hard to use," says one senior civil servant.

Westminster City Council, which regarded any building as an improvement on a derelict gas works site, nodded through the plans, and building work began in 1965. But completion was delayed by two years because of a wave of prolonged strikes which hit the construction industry.

Mr Gummer, who says he would like to "push the plunger" on demolition day, believes Marsham Street is a symbol of 1960s arrogance. "It was in many ways an unpleasant period, which did not believe it had anything to learn from previous generations. It was brash and insensitive and this building stuck up two – or should I say three? – fingers to everyone."

According to Mr Clegg, in Marsham Street's first-floor union office: "People have had to endure deteriorating working conditions which are simply not accepted in the private sector. The building rubs in that staff have not been the highest priority. It is dehumanising."

This time, ministers and civil servants are hopeful of something better. The new Eland House offices to be built in Bressenden Place, close to Victoria station, will incorporate a catalogue of fashionable architectural and environmental specifications, from the "thermal buffers" of its double atria to ozone-friendly refrigerants and plentiful cycle bays.

Already, however, the unions are hesitant about proposals for large, open-plan floors, which mean reliance on artificial lighting and air conditioning, which some believe can contribute to workplace illnesses. This time round, they want – though do not expect – to be consulted about more than curtains and carpets.

The DoE says it has negotiated a 25-year lease on Eland House from Land Securities, Britain's biggest private commercial landlord. Whether or not today's architectural fashions prove more enduring, there is at least an expectation that the building will outlive the DoE's new lease.

Joe Rogaly

More like a prime minister

Heaven alone knows what the Downing Street declaration will do for Ireland, north and south. Will it bring peace? A lasting settlement? We have to wait for prolonged silence, or a bomb blast, to give us the beginnings of an answer. Yesterday's statement by the president of Sinn Féin, Mr Gerry Adams, was redolent of peaceful promise, but takes us no further. Meanwhile it is open season for wishful thinkers. Optimists can let their fancy flow free, down to the speeches by the British and Irish prime ministers when, following Mandela/de Klerk, they collect their Nobels. Sceptics, or those who harbour pet Ulster theories, can predict doom and disaster. Armchair strategists can set up their imaginary battlefields and pit "loyalist" terrorists against their IRA opponents.

Patience, patience. There is no telling what will happen, and therefore no way of estimating the eventual effect on the standing, before their present electorates and in the eye of history, of Mr Albert Reynolds and Mr John Major. All that can be said today is that the taoiseach and the prime minister have shown courage and imagination. Against the odds, they have co-authored a document that allows for a united Ireland while obliging those who seek one to persuade a majority of the people of Ulster to vote for it. This was accomplished by rewriting, in the language of the nationalists, Britain's long-standing promise that it will protect the unionists.

Both leaders have done well. This should be acknowledged without quibble or qualification. Mr Major in particular sounded more like a prime minister when he spoke in the Commons on Wednesday than he has since Britain was ejected from the exchange rate mechanism in September 1992 and he lost his authority. This time he had the best house since the Gulf war, with members listening intently to his every word, breaking concentration only to approve. His manner had become less hesitant, his voice less uncertain. This was, for once, a politician at ease with himself.

Take, as a single example, his response to Rev Ian Paisley, who had spoken of people being "slaughtered, butchered and murdered" by the IRA. His constituents, said Mr Paisley, looked on the Downing Street declaration as a "sell-out act of treachery". With rare passion, Mr Major turned on the Democratic Unionist and replied that he wished to make sure that there was no more bloodshed. Politicians had to have the courage to address the problem. "I am prepared to do that. If the honourable gentleman believes that I should not, he does not understand the responsibilities of the prime minister of the United Kingdom."

Events could have been designed to create a feeling that the government is not doing so badly. Mr Major's crisis has passed

We have, in short, seen the prime minister rise to an important occasion. In handling Northern Ireland his most effective qualities have come to the fore. Major the negotiator, he of Maastricht, saw to the detailed haggling. Major the whip, he who has survived in spite of a dwindling parliamentary majority, has ensured that most susceptibilities were catered for in the drafting. Major the chancer, he of the hard Ecu and the safe havens, proved willing to throw the dice in Ireland. Let us set aside cynicism, and grant that these characteristics have been enhanced on this occasion by a proper sense of the responsibilities of his office.

The prime minister will be strengthened if a wearily cynical electorate is equally charitable. His weakness arises from the disrespect in which he is held by natural Conservative voters. On Wednesday morning, before the declaration on Ulster was published, Mr Major was the least popular prime minister since polling began. Rebuilding a reputation in such circumstances takes time. It cannot be achieved by a single outstanding performance on a powerful Wednesday afternoon. More is required. Events in general have to be in his favour. The prime minister may be given his due on Ulster, while yet suffering the fate of his predecessor. To take a more exalted example, remember what happened to Winston Churchill after he led Britain to victory in the second world war.

That said, the favourable news is beginning to pile up. The Uruguay Round of the Gatt negotiations has been completed, setting the markets further towards the stratosphere. The prime minister intimated yesterday that Europe in general and Britain in particular would gain more from trade liberalisation than most of the other participants. Downing Street's role in helping the process forward was subtly suggested. Mr Major knows that the performance of the economy is paramount. On Wednesday the latest monthly indicator showed the annual rate of inflation still at 1.4 per cent. Yesterday we saw a further fall in unemployment.

The Conservatives in Parliament have continued to hold steady on other matters, as they have done since the prime minister concluded his devil's pact with the right at the party conference in October. A carefully crafted Queen's speech, avoiding difficult legislation, and a strategy of limiting the length of time Parliament sits, have helped reduce the number of "Tories split" headlines.

These developments could have been designed to create a feeling that perhaps the government is not doing so badly after all. Mr Major's job was in some immediate danger during the summer. That crisis has passed. The sense that nobody is in charge of the administration has to some extent been countered by the wizardry of Mr Kenneth Clarke. The chancellor's recent Budget may have added to the March Budget's imposition of the greatest tax increase anybody could remember, but it demonstrated control, "grip", command. Mr Clarke's opinion after Budget day was that its positive political effect would not be reflected in public sentiment for a year or so. That may still be true.

We have now had three years of Mr Major as prime minister. He has been flat on his face much of the time, but he did win in April 1992, against many predictions. The next opportunities to vote will come at local council elections in May and elections to the European parliament in June. The conventional wisdom in October was that he had about a year in which to restore his and his party's popularity, or face a challenge to his leadership. He has made a good start to that year of trial. A triumph in Ireland would, if it came, take his rehabilitation further.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Crest not more costly for private investor

From Mr I D Saville.

Sir, Mr J D Whittle thinks (Letters, December 11/12) that it is generally accepted that the Crest share settlement system will disadvantage the private investor while increasing his costs of dealing. I do not think either point of this view is well-founded.

Crest will improve conditions for the private investor, by helping to facilitate a more efficient and liquid wholesale market, and by bringing settlement conditions in the UK into line with the best international practice.

Costs will be sharply reduced by getting rid of much of the very large volumes of paper that have to be processed in the City and at registrars, and there will be significant reductions in risk in the settlement process.

These benefits improve the attractiveness of London as a financial centre, and the private investor will benefit from this because his shares will be traded on a more liquid and efficiently priced market.

Moreover, I believe that when Crest is introduced the cost of dealings for the private investor need be no more than today, even where the private investor chooses to retain share certificates. (The cost will, of course, be lower if he chooses to participate fully in Crest by giving up his certificate.) This is because the "wholesale" part of the transaction, between the investor's broker and a market maker, should be cheaper than today, while the paper-based part should remain very much like today's arrangements.

I D Saville,
project controller,
Bank of England,
Threadneedle Street,
London EC2R 8AH

A moving conversion

From Viscount Lewisham.

Sir, I was more than moved by Michael Grade's piece (Personal View, December 14) advocating more competition in commercial television when, as head of Channel 4, he is confronted with the proposed mergers in Channel 3.

Mr Grade is, of course, a hereditary placeman of the British television establishment, which has fought tooth and nail against enhanced competition and choice for the last 25 years.

Does Michael Grade's belated and self-serving conversion now mean that he will unequivocally support and press for the Independent Television Commission to advertise Channel 5, which would be a competitor to Channel 4?

Lewisham,
The Manor House,
Slaithwaite,
Nr Huddersfield,
West Yorkshire HD7 5AU

Defective cure for unemployment

From Mr Don Pitman.

Sir, Professor Richard Layard's diagnosis (Personal View: "An offer the unemployed cannot refuse", December 7) is that unemployment is likely to be high if benefits are available indefinitely and his cure is to draft the unemployed into the workforce at no cost to the employer.

His diagnosis depends on statistics which show long-term unemployment in the US and Japan at 1 per cent or less compared with 5 per cent in the European Union and his assertion that this is due to the cessation of benefits in the US and Japan after six months.

His diagnosis is defective because:

1. In the US men have to describe themselves as not looking for work in order to get benefits after six months (Economic Eye, by Edward Balls, December 6). Therefore, they are hardly likely to disqualify themselves by claiming to be looking for work;

2. In Japan the social security fund is available indefinitely (and is generous compared to Britain's system). The reasons for low unemployment in Japan are that there is work for anyone who is willing and able to do it, and the Japanese have a great reluctance to accept state help, and will therefore hurry back to work as quickly as possible;

3) He takes no account of the level of benefit available (which in Britain is so low as to drive most recipients to despair).

However, not only is his diagnosis wrong. His cure would dump the employed on to the dole queue to make way for the slave labour introduced by the cure itself, and at the same time subsidise the employer while promoting inefficiency.

The real problem is competitiveness and the cure lies with those in work, not with those denied it.

Don Pitman,
2 Moor View Road,
Oakdale,
Poole,
Dorset BH15 3LS

Bonuses: perhaps it was only half the story?

From Ms Julia Gallop.

Sir, I was most interested to read the article, "What to buy her with the bonus" (How to Spend It, December 11/12). I take it, from the tone of the article, that either:

a) Women do not earn bonuses of any great value;

b) Women are less likely to need a point by point guide as to how to spend them; or

c) The concluding part to the article will appear next weekend.

Julia Gallop,
9 Cromford Road,
London SW18

Deflator paints wrong picture of export volumes

From Mr Andrew Glyn.

Sir, Samuel Brittan ("Two-way switch in the world economy", December 9) reports with approval Peter Sinclair's figures purporting to show that there was a radical slowdown in the growth of the volume of trade for the G7 countries in the 1980s.

The table (right) shows why deflating the value of G7 exports by the gross domestic product deflator (in contrast to the normal procedure where the price index of exports is used) suggests that most of the slow-down in the growth of world trade happened after 1979, not after 1973 as we had hitherto assumed.

Average annual % growth rates	1960-73	1973-79	1979-90
(1) Export volume (conventional)	7.8	5.6	5.0
(2) Export prices	3.1	9.5	3.1
(3) GDP Prices	4.3	8.6	4.8
(4) Export volume (Sinclair) = (1)+(2)−(3)	6.6	6.5	3.3

Source: OECD Historical statistics 1960-90

Export prices rose faster than GDP prices over the period 1973-79 because energy and commodities, whose prices rose especially rapidly, comprise a much higher proportion of exports (as intermediate inputs and final sales) than of G7 GDP (which excludes any imported energy and materials component). This exceptional development obviously boosted the value of world trade. But why should we regard this as boosting its *volume*.

Sinclair says his measure shows the "real value of export receipts, defined in terms of the general basket of goods that its firms, households and public authorities buy" (*Oxford Review of Economic Policy, Autumn 1993, p116*). This is inaccurate since the GDP deflator excludes the value of imports which comprise a proportion of the purchases of all domestic sectors. But in any case this is a measure of the real *incomes* of the export sector. This may be interesting but it is not a measure of real output. If Samuel Brittan's or Dr Sinclair's new computer is half the price (in relation to the GDP deflator) of their old one, would they describe it as only half a computer?

Andrew Glyn,
fellow and tutor in economics,
Corpus Christi College,
Oxford, OX1 4JF

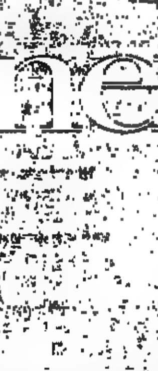
From Mr N H Dimsdale.

Sir, In his Economic Viewpoint (December 9), Samuel Brittan comments favourably on a recently published article by Peter Sinclair in the *Oxford Review of Economic Policy,* where export values have been deflated by a general price index, the gross domestic product deflator, to calculate a measure of export volume. There is little justification for the use of this deflator when an index of export prices is available. Its use could give rise to a significant distortion compared with the appropriate deflator. The fact that the inappropriate deflator makes a big difference must make one suspicious of the final result.

If a measure of the purchasing power of exports is required, as Sinclair proposes in his article, it could readily be derived by adjusting the correctly computed export volume index by a measure of the terms of trade such as the ratio of export to import prices. The resulting indicator would not involve any breach of the conventions of index numbers, unlike the crude practice reported in the article.

N H Dimsdale,
fellow and praelector in economics,
The Queen's College,
Oxford OX1 4AW

We're pleased to announce our prophets for next year



A prophecy can only ever be as reliable as the prophet who makes it. For 'The World in 1994' we have brought together over 50 of the most reliable analysts in the fields of economics, sociology, industry, technology and politics. Read what they all have to say.

It could help make 1994 a happy new year.

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FINANCIAL TIMES
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Friday December 17 1993

The west and Zhirinovsky

If any good comes out of the electoral triumph of the ultra-nationalist Russian right in last weekend's elections, it will be because it finally focuses the minds of Russia's reformers and their western backers. For, while the reform parties squabbled, while President Boris Yeltsin remained aloof and the western governments kept their distance, Vladimir Zhirinovsky was hard at work. He cleverly played on the electorate's fears about the threat of unemployment, rising lawlessness and loss of self-esteem.

What should the west and its institutions do next? It was bad enough for International Monetary Fund officials to monitor progress and lend money when a supposedly pro-reformist government was in place. But now, with the complexion of the post-election government still unknown and the president's commitment to future reform uncertain, the dangerous temptation is to wait and see. What they should do is to act.

First, they can recognise that the rules of the reform game have changed. The grave threat of a further boost to extremist politics if reform is *perceived* to make things worse over the next year means that a substantial rise in open unemployment is now politically intolerable. The standard IMF strategy of stabilisation, withdrawal of subsidies to state industries and the establishment of a social safety net to catch the casualties is now too risky for anyone other than the most apolitical reformer to contemplate. Indeed, anything which even smells of an IMF-run austerity programme is almost certainly off Mr Yeltsin's agenda.

Pointed criticism

US vice-president Al Gore has already got this message. In Moscow, yesterday, his pointed criticism of the failure of IMF officials to be sensitive to the effects of harsh budget cuts on individual Russians suggested a sharp change in western rhetoric. But, as US Treasury officials will well understand, it is important that the west does not throw out the baby with the bathwater. The IMF may be a convenient scapegoat for lack of progress so far. But to suggest, as Mr Gore also did, that Russia should abandon rapid reform is badly misguided.

Too little reform, not too much, is the reason for the persistently miserable performance of the Russian economy over the past year. Rapid inflation remains a significant obstacle to private sector expansion and foreign investment as well as a tax on Russian citizens. Lack of progress on land and financial sector reform are other impediments. The IMF can be criticised for taking an over-bureaucratic approach to conditionality and for failing to provide the Russians with sufficient technical support. But it is the Russian government that must take most of the blame for the lack of progress.

Fascist advance

Western leaders cannot afford, for their own security as well as Russia's, to allow Mr Yeltsin to abandon the reformist road. Without action to slow credit creation, hyperinflation is inevitable. Without structural reform, the growth of new private employment will remain stunted. Without a legal system, the power of illegal racketeers will grow. In short, without rapid reform the conditions for a further fascist advance will emerge.

The west can help stabilisation to occur and reform to progress without the kind of open unemployment seen in Poland since 1989. It can do so by enabling the government to replace inflationary bank credits to loss-making industries with non-inflationary western credits. These should be released through a new G7 agency, rather than via the IMF.

These credits should be made conditional on market-oriented reform as well as continued stabilisation and, as far as possible, they should be time-limited and linked to restructuring of specific enterprises. If China's success contains a lesson for Russia, it is not – as Mr Gore appears to believe – that gradualism works but, instead, that radical reform to encourage the growth of the non-state sector is consistent with apparently wasteful but politically essential subsidies for inefficient state industries.

The west has not yet had time to gauge fully the implications of Mr Zhirinovsky's success. But the G7 has no alternative but to act while it can.

Hong Kong: the next stage

Mr Chris Patten, Hong Kong's governor, will view the end of Sino-British talks on his democratic reform proposals as double-edged. He has suffered a decisive setback in his efforts to secure China's acquiescence to broader democracy before Beijing assumes sovereignty in 1997. But he is now embarked on the course which, as a report elsewhere in this newspaper suggests, he might have preferred all along: to allow Hong Kong people to take a hand in deciding how far they want to go in broadening the electoral franchise. The problem is that neither he nor they know whether China will accept their choice, even if it is for limited change.

Mr Patten's efforts to date have served to heighten uncertainty about the transition to Chinese rule. It is not only the political talks that have foundered. Sino-British discussions on many practical issues of the handover, as well as on the financing for the new airport, are also just about at a standstill. Instead of the closer co-operation which the 1984 Joint Declaration called for during the latter part of the transition period, there appears to be a widening cultural divide.

Open discussion

This is not to suggest that Mr Patten was wrong to try to broaden the democratic franchise within the limits imposed by the post-1997 Basic Law – and to seek to do this with China's agreement. One effect has been to force open discussion, both in Hong Kong and China, about the true implications of a "one country, two systems" approach. It is far better that the wrangling takes place now than to have sudden, bruising revelations after 1997. If Hong Kong really is to be allowed to maintain its way of life as the Joint Declaration promised, its "high degree of autonomy" must mean something. Mr Patten has rightly explored its limits.

Now, however, the game has moved on, and Mr Patten is no longer at the centre of events. The Legislative Council will almost certainly prove less willing to confront China than he has been. Passage even of the "non-controversial" package tabled this week may be in doubt, with the conservative party which favours co-operation with China opting to poll its membership. If this bill were to run into problems, Mr Patten would have little chance of getting the meatier parts of his reforms into law. His Westminster skills will be pitted against the exertion of mighty Chinese influence. In itself, this may not be unduly damaging. Indeed, it is the sort of political debate to which a nascent democracy must become accustomed, even in such constrained circumstances.

Electoral uncertainty

Less desirable is the uncertainty about the eventual fate of the electoral system which LegCo puts in place. Even if it substantially waters down Mr Patten's reforms, its decision may still be rejected by China and a new political system instituted. However, this will not necessarily be the end for democracy, Hong Kong-style. China has this week reiterated its commitment to enacting the Basic Law, which sets out specific steps towards democracy and says "the ultimate aim is the election of all the members of the Legislative Council by universal suffrage." Unless events prove otherwise, these Chinese commitments can be taken at face value.

Many Hong Kong people – investors in particular – are doing just that. The stock and property markets have shown great resilience in the face of the Sino-British confrontation. The economy behaves more and more as though it were already part of China.

What cannot yet be guaranteed is that it will continue to enjoy such uninterrupted growth through the handover. It will only do so if the nuts and bolts – the legal and judicial framework, arrangements for the civil service, and the other features that buttress Hong Kong's economic success – are in place before 1997. With China and Britain now apparently destined for permanent disagreement on political issues, it is ever more important for both sides to focus on these practical arrangements. If only for this reason, they will have to talk. And although the British approach has suffered a reverse, the UK cannot wash its hands of Hong Kong. If serious uncertainties about the future are aroused, it will have to reconsider the issue of passports.

Last orders at a movable feast

Robert Peston examines a report that criticises a European development bank

"No one talks or knows about this institution." So said Mrs Paule Dufour to explain why the Council of Europe's Social Development Fund strayed from its original purpose – financing projects to help resettle or absorb refugees in Europe – towards generating profits from money markets and giving generous rewards to staff.

Sitting in her elegant 19th-century Parisian office, a few hundred yards from L'Etoile, she said that even when she became president of the fund's governing body in 1990 she had difficulty obtaining information on its work.

Partly as a result, she commissioned Castel Jacquet Ernst & Young, the accountancy firm, to carry out a wide-ranging audit of its activities. Its report, which has not been published but has been obtained by the Financial Times, is a lesson in how multinational development banks should not be managed.

Set up in 1956, the social fund, with assets totalling £10.5bn at the end of 1992, became a rich gravy train for staff and provided a pleasant sinecure for the former politicians and officials who comprised its twin supervisory boards, the governing body and the administrative council.

According to Ernst & Young, the bulk of its loans – which totalled Ecu6.7bn (£5.1bn) at the end of 1992 – were made without properly monitoring where the money was going. There was often no way of telling how borrowers used the relatively cheap loans. The problem was particularly acute in Italy.

Because it did not know where money was going, there was also a risk that it could face unforeseen losses on loans – though Mr Roger Vanden Branden, who resigned as governor last month, pointed out that to date the repayment record of borrowers had been good.

But it was in its staff remuneration practices that Ernst & Young says behaviour was encouraged that ran "contrary to the ethics which should govern the professional life of an international official". Executives were given big expense allowances without proper checking to ensure expenses were actually incurred. They were also granted subsidised loans totalling FFr16.9m (£1.94m) at a 3 per cent interest rate, but there were no effective controls to ensure loans were being used as intended for mortgages on principal residences. The report says some of these loans were used for property speculation.

Probably the most unorthodox practice was the withdrawal of substantial sums from the pension fund by executives who had completed 10 years of service with the social fund though remained in office. The main beneficiary was the governor, Mr Vanden Branden.

But if what the fund did was dubious, Mr Vanden Branden cannot take all the blame. As he said in a statement to the FT, Ernst & Young does not say that he broke institutional or pension fund rules. However Ernst & Young lists examples of rules which were imprecisely drafted and liberally interpreted.

Mr Vanden Branden also said in his statement: "Management accounts were . . . approved . . . by the administrative council, which each year commended the governor [Mr Vanden Branden] for his management."

In the words of Mrs Catherine Lalumière, the secretary general of the Council of Europe (a parallel organisation to the European Union) under whose umbrella the fund falls, it was a "child abandoned by its parents". What she means is that it was given too much autonomy by its shareholders – 21 Council of Europe members, including France, Germany and Italy but not the UK.

Perhaps out of embarrassment at their negligent stewardship, the shareholders did not want public disclosure of the Ernst & Young report although they have been quietly trying to reform the institution via representatives on the supervisory boards. But earlier this autumn, rumours about the report's content circulated at the Council of Europe's Parliamentary Assembly in Strasbourg and eventually details appeared in the French newspaper Le Monde.

Soon after came the resignation of Mr Vanden Branden, a Belgian who has been associated with the fund since 1962 and has been governor since 1979. Mrs Dufour said she believed he should have left earlier: "The first lesson to learn from what happened at the fund is that, in an international organisation where controls on management are never as strong as in a national organisation, it is wrong to allow executives to keep their jobs too long."

Another lesson is that the responsibilities of the two supervisory boards, consisting of government appointees, were imprecisely drafted when the fund was set up. The two boards met no more than a few times a year and in practice delegated considerable power to Mr Vanden Branden and executives.

Any desire among board members to subject the fund to stricter controls may have been tempered by the fringe benefits they enjoyed, which were generous for a public institution. As listed by Ernst & Young, they included liberal expense allowances for meetings, per diem payments for senior board members, cash advances and automatic reimbursement of travel expenses at the highest ticket price.

Until they received the Ernst & Young report, European governments had taken comfort from the fund's profitability, much of it derived from playing the international money markets. The fund raises money from money markets which it then lends to projects that meet its social objectives or invests in securities and complicated financial derivative instruments, such as swaps and options. The question raised by the Ernst & Young report is whether the balance of its activities is tilted too much towards making short-term profits from financial markets.

Though the shareholders have guaranteed to provide capital resources of Ecu1.14bn, they have injected only Ecu20m of cash. From this tiny investment, the fund has generated profits of almost Ecu800m since its creation, including Ecu109m in 1992 alone. This income is in effect distributed to the shareholders in the form of special loans at the highly subsidised interest rate of 1 per cent, well below the fund's normal lending rate.

The fund drifted from its original aim and started to commit *money to all sorts of* socially motivated developments

Yet despite its profitability, Ernst & Young warns the fund was taking "significant" risks in generating money market profits which could "compromise the fund's financial stability in the medium term".

The fund also departed from the established practice among multinational development banks of organising an open competitive tendering process among securities firms when raising money from bond markets. Two lesser-known German and Swiss banks were regularly awarded the mandate for issuing bonds on the fund's behalf. "The principle of no competition is very bad", said Mrs Dufour, though she adds the fund was able to raise funds at competitive rates.

The worst flaws were in the fund's management of staff and in its lending practices. Though many executives benefited from lax controls over subsidised loans and expenses claims, Mr Vanden Branden appears to have profited most, according to Ernst & Young, though he insisted that his remuneration package and other benefits were worse than for the heads of comparable development banks.

Ernst & Young gives a catalogue of questionable practices:

- In 1991, his undisclosed salary for the whole year was paid in advance at the start of the year.
- His travel expenses of FFr111,314 in 1991 and similar amounts in 1990 and 1989 were reimbursed on the basis of an annual travel expense account filled out by himself. In 1991, they included seven weekend trips to Brussels, for some of which no reason was given.
- As overseer of the pension fund, he allowed executives to make withdrawals totalling hundreds of thousands of pounds after completing 10 years of service. He "made his 10-year withdrawal in 1989 and since 1990 has indulged himself with an annual withdrawal [which was FFr865,000 in 1991], made at the beginning of the year". The report criticises this policy as a "compliance breach" which "hurts the APF's [the pension fund's] portfolio management, so hurting the interests of other officers".
- He set up representative offices of the social fund in Brussels and Rome without getting the approval of the administrative council.

In response to these criticisms, Mr Vanden Branden said in his statement that the "equilibrium" of the pension fund had not been "prejudiced" by the withdrawals.

The bulk of the report concentrates on the fund's drift away from its original aim of financing schemes providing work and accommodation for refugees and other displaced persons, or assistance in relocating them. In a "de facto and unplanned way", according to Ernst & Young, it started to commit money to many other socially motivated developments, such as general housing construction projects in Italy, an irrigation scheme in Spain and an electricity project in Turkey. According to Mrs Dufour, the fund even financed the construction of a Sheraton Hotel in Milan.

Ernst & Young says that, whatever the nature of the projects, the fund did not take steps to ensure budgeted costs were reasonable and that the best construction methods were used. More seriously, it did not employ sufficient staff to verify the money was being used for the intended purpose – nor did it receive sufficiently detailed information from applicants to allow effective monitoring to take place. Ernst & Young comments: "We believe this situation is worrying: the sample tested did not show the fund was able, using the information received from the beneficiaries, to verify that the loans granted were indeed used during the period from issuance of the funds to completion of the project for the projects approved."

A shortage of information on use of funds is most marked on loans to Italy and Turkey, the two biggest borrowers, which between them have received more than Ecu4bn from the fund since 1981.

Italian projects benefited from a special exemption such that there was no monitoring of any loans under Ecu3m dating before January 1992. Ernst & Young says that "according to the head of monitoring, the beneficiaries are unidentifiable, the co-operatives involved are dissolved after completion of the project and the managing banks are incapable of providing supporting documents".

Meanwhile large "global loans" have been made to the Turkish government – Ecu597m in 1991 and 1992 alone – based on a list of approved projects but without precise allocation of funds to individual schemes. So in effect these have been additions to Turkey's foreign currency resources – though if Turkey had tried to raise the funds directly on international markets, the cost would have been far greater because its credit rating is worse than the fund's.

Mrs Lalumière of the Council of Europe said that, for all its apparent shortcomings, "more than ever, the fund is useful". Because of the war in the former Yugoslavia and the turmoil in the former Soviet Union, Europe is facing its biggest refugee problem since the creation of the eastern bloc after the second world war.

She hopes that changes in the fund's rules which come into effect in the new year will rejuvenate it. Executives are to be subjected to stricter control by the supervisory boards and an increased emphasis has been placed on the fund's original purpose of helping refugees and displaced persons. Further reform of the monitoring procedures for project loans are likely once a successor to Mr Vanden Branden has been found.

As for Mrs Dufour, her fiercest criticism of the fund is not directed at what it did in the late 1980s and early 1990s but rather at what it did not do. Because of its penchant for making short-term profits, it avoided making loans to parts of Europe where the needs and risks were biggest. Mrs Dufour said: "The greatest scandal is that we did not lend a penny to Yugoslavia."

OBSERVER

England's own goal

■ So you thought Graham Taylor was to blame for failing to get the England football team into next year's World Cup. Wrong. The reason is much more simple – it's all the fault of the free market.

At least that's the verdict of the left-leaning Institute for Public Policy Research. Perhaps in an effort to improve its credibility among its supporters on the terraces, it has produced a report on the decline of the national game.

Too-high ticket prices, fixture schedules dictated by TV companies, the decline of the small clubs are all the inevitable product of a system that leaves clubs, players and television fighting their own corner, says the think-tank.

"Free market policies have ruined our national economy. Now they threaten our national game," argue Dan Corry and Paul Williamson. What the game needs is a "dose of national planning". Sounds familiar.

Unhealthy worries

■ Who's going to replace National Health Service boss Sir Duncan Nichol?

The question is causing increasing alarm in some quarters of the health service now that KPMG partner Sheila Masters, a non-executive member of the NHS policy board, has reached the final interview stage yesterday. Insiders are terrified that health secretary Virginia Bottomley will impose Masters on them again. A former NHS finance director, she frightened civil servants by her tough demands when crafting the 1991 NHS reforms.

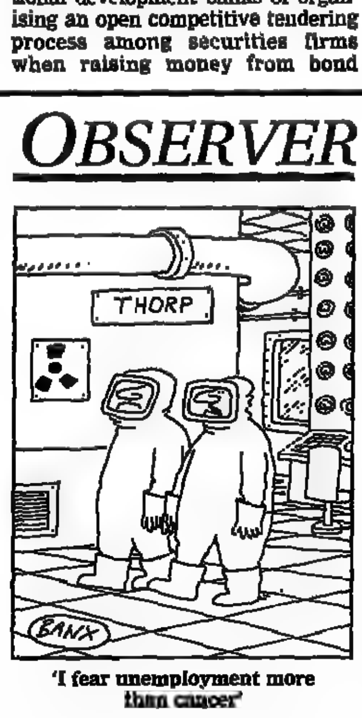
Alan Langlands, the current deputy chief executive, would be much more preferable to NHS types. He would continue Sir Duncan's capable management style while allowing ministers to hog the limelight. Alternatively, Ken Jarrold, chief executive of Wessex regional health authority, who is credited with having restored its reputation, would be another safe bet.

Mrs North West

■ However, one female name which does not terrify civil servants is that of Marianne Neville-Rolfe, head of the Civil Service College and one of Whitehall's movers and shakers. She's been anointed as the first regional director for the north-west, or "Whitehall commissar" as Labour calls them.

As director of Whitehall's top management programme, Neville-Rolfe has groomed most of the current generation of Sir Humphreys at the head of the civil service. She has also built good links with leading businessmen as organiser of the "Node" series of conferences which bring together top people from the public and private sectors.

If anyone can make a success of working simultaneously for five ministers, Neville-Rolfe can.



'I fear unemployment more than cancer'

Home truths

■ Well done Diane Abbott, MP for Hackney North and Stoke Newington, for saying something that needed saying.

"Economics is a happy hunting ground for charlatans. This is partly because it is dominated by men – famously the less practical sex," she informed the Treasury and Civil Service committee examining the role of the Bank of England. "The aridity of the subject (economics), the opacity of the concepts, and the unintelligibility of the jargon all combine to cow otherwise healthily sceptical observers." What a sensible person.

Stick it

■ It's an ill wind . . . The Scott inquiry into the British government's murky record on arms sales to Iraq promises an unexpected bonus for the manufacturers of Post-it notes, those sticky-backed yellow bits of paper for hurriedly scribbled messages.

The bulk of the damning evidence at the Scott inquiry derives from remarks scrawled by civil servants and ministers in the margins of official documents.

Officials in sensitive posts say they have thus learnt an important lesson. Any controversial recommendations will henceforth be confined to Post-it notes, easily removable before documents are filed for posterity.

Playing the game

■ Co-ordinating celebrations at The Waterside Inn following a high-profile Eurobond deal, Salomon Brothers rang to confirm the venue. Imagine the horror when the three-star Berkshire hostelry not only denied knowledge of the reservation, but explained that the room was already booked . . . for Goldman Sachs.

Even worse, Salomon then found that the landlord at the Waterside Inn, close by London's red-light district, was completing meticulous preparations to welcome Salomon's banker friends. Fortunately, Mosimann's, the swanky Belgravia watering hole frequented by minor royals, swallowed its pride and agreed to accept its first transfer booking from a King's Cross pub.

Hampered

■ A colleague phoned Harrods to order a Christmas hamper for a Dublin-based friend. "I know this is a stupid question but is that in southern or Northern Ireland?" the Harrods assistant inquired. "Dublin is the capital of Ireland," came the none-too-sweet reply.

A long silence ensued. "No sorry, we couldn't possibly get anything there by Christmas," came the eventual answer.

Got one, thanks

■ Publicity for a wedding exhibition next month in Blackheath, south London, promises: "You may book everything you need for your special day from cakes, video, menswear to mother of the bride".

INGENUITY
The FT Engineering Review
March 23rd 1994
For further information contact Paul Jefforis on Tel: 021 454 0922 or Fax: 021 455 0869

FINANCIAL TIMES
Friday December 17 1993

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New US defence chief convinced by Clinton's military consensus

By George Graham in Washington

President Bill Clinton yesterday named retired admiral Bobby Ray Inman to be the next US defence secretary, to fill the gap left by the resignation on Wednesday of Mr Les Aspin.

Mr Inman said he had not wanted the job, but had agreed to take it out of a sense of duty. He also said that he had voted for former President George Bush in the last election, but had been convinced of Mr Clinton's "absolute commitment" to building a bipartisan consensus on defence policy.

In his new post, Mr Inman will have to take charge of a vast and unwieldy bureaucracy of which Mr Aspin has not seemed fully in control. He will also have to tackle serious defence budget problems as well as the difficult issues surrounding US involvement overseas in areas such as Haiti or Somalia.

While there seems to have been no specific last straw provoking Mr Aspin's departure, he had gradually lost Mr Clinton's full confidence.

The appointment is still subject to Senate confirmation, but Mr Inman enjoys broad support among members of both parties, and is not expected to face any serious obstacles.

Mr Inman, now 62, rose as a naval intelligence officer to head the National Security Agency, which runs much of the US's electronics surveillance, from 1977 to 1981.

He became deputy director of the Central Intelligence Agency in 1981 – the price exacted by Congress for accepting President Ronald Reagan's choice of Mr William Casey, his campaign manager, to head the CIA – but resigned the next year after policy disagreements.

He will be the first former career officer to serve as secretary of defence since Gen George Marshall, who held the office under President Harry Truman.

Although Mr Inman has won high praise from Congress, his private sector career has been less glittering.

His three years at the head of Microelectronics and Computer Technology Corp, a joint venture set up to strengthen US research in advanced computing, went well enough. But he had to resign from his next business, Westmark Systems, after the failure of its leveraged buyout of Tracor Holdings, a defence contractor.

Mr Inman said at the time that he found Congress less arduous to deal with than the commercial banks. "Congress will give you a good scrubbing, but only to make sure there's some value in the money they're giving you. The banks will whipsaw you and drive you bankrupt if they get the chance," Mr Inman said.

He also served on the proxy board set up to preserve the US military secrets handled by International Signal and Control, the ill-starred US acquisition of Ferranti, the British defence group to which receivers were appointed recently.

Mr Inman acknowledged yesterday that he had not succeeded at all the jobs he had turned his hand to.

"I have not done them all as well as I would have liked, but I have worked hard at them," he said at a White House ceremony announcing his nomination.

Defence problems outlast Aspin, Page 8

THE LEX COLUMN

High hopes of low rates

It is a case of another day, another record for the UK equity market. Yesterday's 32 point rise seems to reflect a growing conviction that more interest rate cuts are on the way. Since average earnings are still growing by only 3 per cent, the government has little to fear from wage pressure, while Wednesday's retail prices data show inflation is well under control. On the surface, a 36,000 drop in seasonally-adjusted unemployment makes it look as though there is some growth about as well.

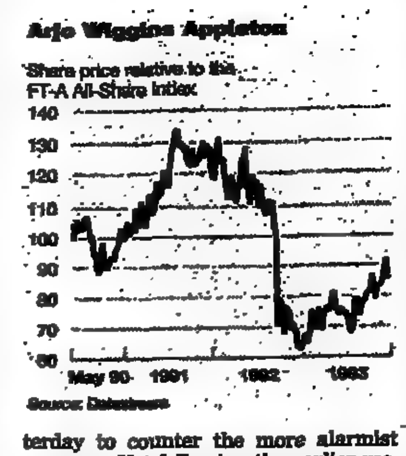
Yet other indicators are not quite so auspicious. Manufacturing output shrank by 0.2 per cent in the last three months; employment in manufacturing actually fell by 10,000 in October. Nor do yesterday's figures for notes and coins in circulation suggest a bumper Christmas in the shops. So the equity market must be driven above all by interest rate expectations. That is also reflected in the vulnerability of particular sectors to specific worries – like life insurers yesterday on pensions – which draws attention to how stretched individual valuations often are.

The money markets do not expect another base rate cut immediately. But the equity market can afford to wait until the new year, especially since the perception is now growing that the next half-point cut may not be the last. The worrying thought is what will happen when the interest trough is reached and next year's tax increases start to bite. While low wage growth justifies lower interest rates, it also means real disposable incomes could well fall. Growth would then depend on consumers borrowing more. If not, equities could be high and dry, especially if higher US bond yields have staunched the international flow of funds.

FT-SE Index: 3311.2 (+32.4)

Arjo Wiggins Appleton

Share price relative to the FT-A All-Share Index



Source: Datastream

Arjo Wiggins Appleton

The departure of another Anglo-Saxon director at Arjo Wiggins Appleton comes as a further blow to a company which seems to specialise in nasty surprises. Mr Gordon Bond had done a good job at Appleton in the US, exhibiting energetic marketing skills which are not conspicuously abundant throughout the rest of the group. Brought back to Europe to run the printing and writing divisions, he had been in the post for less than a year before yesterday's resignation. This latest boardroom rumpus may owe more to style than substance. The company was certainly at pains yesterday to counter the more alarmist rumours. Yet following the earlier resignations of Mr Henry Wendt and Mr Stephen Walls, the market has grown intolerant of such mishaps. The 9 per cent drop in AWA's shares illustrates the scale of disappointment.

Such worries will linger until the merged Franco-British enterprise exhibits greater stability. Yet there is no reason to doubt the underlying economics of the business. AWA has articulated a cogent strategy which should bear fruit as the European paper cycle swings upwards. The market is undoubtedly tightening. The capacity slack is being taken up and sales volumes are recovering. There is widespread talk that pulp prices may rise next year and even some expectation they may stick. This year's surge in AWA's shares suggested that the market had anticipated every scrap of good news. Yesterday's shock highlights how AWA can be relied upon to throw in something bad.

M&G

The flow of funds into unit trusts has been uneven. Despite its reputation in the field, M&G's net sales of unit trusts amounted to only £82m last year, out of an industry total of more than £7bn. Its strategy of investing in high yield and recovery stocks, which produced a mediocre investment record in recession, is partly to blame. But that style of investing has produced handsome return since Black Wednesday, so M&G should now return to favour among independent financial advisers. Sales in the early part of this financial year are apparently running well ahead of last.

Even so, M&G is not well placed to capture institutional inflows, which have accounted for more than a third of net sales across the industry this year. Fund managers with a long list of pension fund clients, such as Gartmore, will continue to enjoy the best of this business. Neither has M&G launched a guaranteed income fund, the kind of product which attracted so much retail money as interest rates declined. With such funds now attracting controversy, though, that may be less of a handicap from now on.

While the global bull market continues, a dull sales performance is not enough to upset the shares. Yesterday's 25 per cent dividend increase puts most utilities to shame. If the flow of savings into equities turns out to be more than a passing phenomenon, M&G looks undervalued despite having outperformed the market by 25 per cent this year.

Harrisons & Crosfield

The theory of conglomerates is that if one part of the group is suffering, growth elsewhere will ease the pain. Yesterday's trading statement from Harrisons & Crosfield is a reminder that the argument cuts both ways. While its interests in chemicals and building materials are starting to recover, the commodity exposure to pigs is now acting as a drag. A surfeit of Polish pigs is the immediate cause of a price swing which will knock £6m off profits this year.

Unlike the US, Europe does not boast a liquid futures market in pig meat. Profits cannot easily be protected from sudden price movements. Harrisons' palm oil and rubber can be sold forward to lock into good prices, but that only offers temporary respite should the market turn sour. Perhaps Harrisons should therefore decide whether, despite its origins, it wants to be in commodities at all.

Since Harrisons' pigs are reared in the UK, lower profits will aggravate the problem of surplus advance corporation tax. An enhanced scrip dividend would reduce ACT and help repair the damage to the balance sheet caused by the recent run of uncovered dividends. With this year's earnings likely to be below the level of 1989, though, Harrisons does not have a strong argument for raising additional equity. While a yield well above the market average offers some protection, yesterday's 5 per cent fall in the shares suggests investors are looking for something more.

Commission presses Britain and France to reduce bids for regional funds

EU faces row in industrial aid share-out

By David Gardner in Brussels

A row is brewing in the European Union over the share-out between the 12 member states of structural aid for industrially depressed, high unemployment regions. The chief reason is that the UK and France are bidding for very large slices of an assistance fund worth Ecu30bn ($34bn).

The funding is for so-called Objective 2 areas which are judged to be in industrial decline, and is part of the overall Ecu156bn regional aid budget for the 1994-99 period. Most of this goes to the four poorest member states, whereas Objective 2 funding is channelled to the black spots in larger economies.

The current dispute arises because the regulations approved in July oblige the Objective 2 portion to be concentrated on a maximum of 15 per cent of the EU population.

However, total bids put in by the 12 members would cover 23 per cent of the Union's inhabitants. European Commission officials say that after tough negotiations, 10 of the member states are satisfied.

But the UK has bid for Objective 2 funding to cover 40 per cent of the British population, while the bid from France wants coverage for one-third of its inhabitants.

Both countries have been asked to submit more reasonable bids. If they do not, the Commission will be obliged to make aid decisions for them, which would probably lead to serious political friction.

Eligibility for Objective 2 aid has until now required an unemployment rate higher than the EU average, a higher percentage of industrial employment than the EU average and a decline specifically in industrial employment.

These criteria, which are relatively easy to measure, were ratified in July. But new, more judgmental criteria were added, for instance on matters such as aid to rebuild inner cities. This prompted overbidding and complicated the share-out.

Commission officials are also particularly dismissive of some of the areas on the UK's shopping list, such as the Isle of Wight and parts of south-east England, which they do not regard as meeting the criteria.

After some delay, the Commission is expected to deal with the issue on Tuesday. The probable clash between Brussels and London and Paris could spread to other EU members if the Commission makes any significant concessions to the UK and France, since any extra funding they gain would have to be taken from their EU partners. This would prove difficult since Mr Jacques Delors, the Commission president, has in some cases, such as the Netherlands and Italy, already made firm funding commitments.

Welsh company to rescue Grundig television plant in eastern France

By John Ridding in Paris and Roland Adburgham in Bristol

A Welsh company is to rescue a television plant in eastern France where the German consumer electronics manufacturer Grundig had planned to stop production at the end of the year.

Gooding Consumer Electronics, a privately-owned and newly-formed company, is paying FFr160m ($27.21m), supported by a French government grant of FFr50m, to buy the Grundig Electronique factory at Creutzwald in the Moselle region.

Mr Gérard Longuet, the French industry minister, announcing the deal yesterday, said Gooding would keep 350 of the 550 jobs at the plant and the workforce could increase to more than 450 by the end of 1995.

Gooding Consumer Electronics is jointly owned by Mr Alfred Gooding, a leading entrepreneur in Wales, and Mr Koen van Driel, a Dutchman who was until recently commercial director of Astra, the European radio and television satellite station, and a former managing director of Grundig UK.

Mr Gooding is chairman of the new company and Mr van Driel is chief executive. Mr Gooding is also chairman of two manufacturing companies in south Wales, Race Electronics and Gooding Sanken, a joint venture company with Sanken Electric of Japan which makes power supply units.

The Creutzwald plant's existing capacity is 500,000 sets a year, but Mr Gooding said yesterday he intended to go for a volume market, mainly in 14in, 20in and 21in sets, and to build up production to 1m sets a year in three years.

Philips, the Dutch electronics group which owns 31.6 per cent of Grundig and has management control, said in January that from the beginning of 1994 production would be switched from Creutzwald to factories in Germany and Austria.

Mr Longuet had sought a rescuer among several European and Asian electronics manufacturers. A deal with Samsung of Korea was nearly concluded, but the French government and the company failed to agree terms in the autumn.

The new company is acquiring the Minerva brand name from Grundig, and is setting up a company to sell the televisions made at Creutzwald. It is also buying the brand name Continental Edison from Thomson of France, and will market the televisions under this name initially in France.

Mr van Driel said the managing director of Grundig Electronique would join the new company and run the operation on a day to day basis.

M3 target growth cut

Continued from Page 1

allowed room for further interest reductions and ensured enough liquidity for tension-free economic growth, the confederation added.

According to Mr Tietmeyer, one main factor persuading the bank to lower its targets was reduced potential for economic growth. The 1993 range allowed for growth of up to 3 per cent, while the new figures assumed 2.5 per cent next year.

Falling capital investment and decisions by some manufacturers to base new plant outside Germany had reduced potential, he said.

The notional inflation rate allowed for was unchanged at 2 per cent, the highest level acceptable in the Bundesbank's eyes.

Although growth in M3 has exceeded the bank's range for most of this year, Mr Tietmeyer suggested a better result was possible in 1994.

FT WEATHER GUIDE

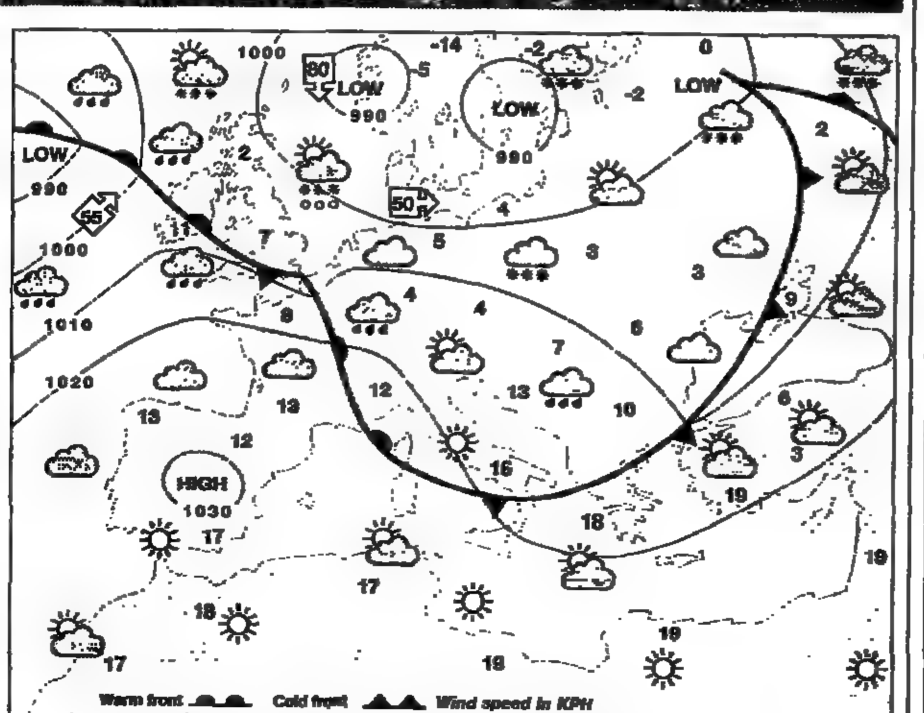
Europe today

Wintry showers over the North Sea will affect Denmark and the northern parts of the Netherlands and Germany. Rain followed by milder conditions will move into Ireland, England, France and also Belgium and southern Germany. Above 1200 meters, the rain will become snow. Switzerland will have rain and snow. Austria will have sunshine and will be mainly dry.

North-western Spain will be overcast with an occasional shower. Over the southern parts, skies will brighten. Central Italy will have plenty of sunshine, but clouds will remain over southern Italy and the Balkans. A depression over Scandinavia will bring snow to Finland and eastern Sweden. Temperatures will remain far below freezing in this region.

Five-day forecast

The mild air will move eastward causing outbreaks of heavy rain over central Europe. A new Atlantic depression will bring rain and lower temperatures to north-western Europe. On Sunday, winds will increase over the British Isles. The Mediterranean will have long sunny periods and seasonable afternoon readings.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	26
Accra	sun	32
Algiers	fair	18
Amsterdam	cloudy	6
Athens	fair	18
B. Aires	fair	25
B.ham	rain	7
Bangkok	fair	34
Barcelona	fair	13
Beijing	sun	2
Belfast	rain	4
Belgrade	shower	7
Berlin	shower	5
Bermuda	cloudy	24
Bogota	fair	22
Bombay	sun	32
Brussels	rain	5
Budapest	shower	4
C.hagen	shower	4
Cairo	sun	19
Cape Town	shower	22
Caracas	cloudy	29
Cardiff	rain	10
Chicago	sleet	4
Cologne	cloudy	5
D' Salaam	shower	30
Dakar	sun	27
Dallas	fair	16
Delhi	sun	23
Dubai	sun	26
Dublin	rain	7
Dubrovnik	cloudy	13
Edinburgh	cloudy	5
Faro	fair	17
Frankfurt	shower	5
Geneva	rain	8
Gibraltar	sun	17
Glasgow	cloudy	2
Hamburg	shower	5
Helsinki	snow	-2
Hong Kong	rain	13
Honolulu	shower	27
Istanbul	shower	15
Jersey	rain	8
Karachi	sun	28
Kuwait	sun	24
L. Angeles	fair	19
Las Palmas	sun	20
Lima	cloudy	24
Lisbon	cloudy	14
London	rain	8
Lux.bourg	rain	3
Lyon	rain	9
Madeira	fair	18
Madrid	cloudy	9
Majorca	fair	16
Malta	fair	18
Manchester	rain	6
Manila	rain	30
Melbourne	fair	23
Mexico City	fair	21
Miami	sun	25
Milan	fair	7
Montreal	sun	-1
Moscow	snow	1
Munich	rain	6
Nairobi	fair	25
Naples	fair	15
Nassau	shower	23
New York	sun	7
Nice	fair	14
Nicosia	fair	13
Oslo	cloudy	-3
Paris	rain	8
Perth	fair	34
Prague	shower	4
Rangoon	fair	33
Reykjavik	snow	-3
Rio	fair	27
Riyadh	sun	22
Rome	sun	16
S. Frsco	fair	12
Seoul	cloudy	0
Singapore	cloudy	30
Stockholm	snow	0
Strasbourg	rain	7
Sydney	fair	23
Tangier	sun	17
Tel Aviv	fair	21
Tokyo	fair	9
Toronto	cloudy	3
Tunis	fair	17
Vancouver	fair	7
Venice	fair	7
Vienna	fair	6
Warsaw	snow	2
Washington	sun	8
Wellington	shower	16
Winnipeg	cloudy	-8
Zurich	rain	6

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FINANCIAL TIMES
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Friday December 17 1993

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IN BRIEF

Owners Abroad overhauls staff

Owners Abroad is to lay off 260 management and support staff as part of an overhaul under the new chief executive, Francis Baron. The holiday group may also change its name. Mr Baron, who took over last month, said the group had little idea under its previous management of how profitable it was. Page 22

Dow Jones launches video network
The Dow Jones Investor Network is a video business news service that allows desktop personal computer users to watch live and recorded press conferences, shareholders meetings, earnings announcements and court-cases. The network was launched just two months but Dow Jones says the market has a lot of potential. Page 23

Canada fails to settle airline row
After nearly three weeks of talks Air Canada and Canadian Airlines have failed to settle their quarrel over industry restructuring. Page 23

Comfortable profit for luxury retailer
Dickson Concepts, the Hong Kong luxury wholesaler and retailer, reported a 10 per cent rise in profits to HK$143.56m (US$18.6m) for the six months to September 30. Page 24

Yorkshire dividend rises 15%
Shareholders of Yorkshire Electricity are being given an interim dividend increase of 15 per cent after the UK utility's pre-tax profits rose from £42.5m ($63.32m) to £74m. Page 26

Bowthorpe announces rights issue
International electronic and electrical components group Bowthorpe has announced a £64.4m ($95.95m) rights issue to fund the expansion of its instruments and sensors business. Page 26

Harrisons & Crosfield drops 4%
Harrisons & Crosfield shares fell 4 per cent in a buoyant market as the UK plantations, chemicals and commodities group sought to rein in expectations for 1993 profits. Page 26

Assets per share up 23% at Electra
Electra, the UK's largest venture capital investment trust, said its net assets per share rose by 23 per cent to 341.3p over the year to September 30, on a fully diluted basis. More than two-thirds of Electra's portfolio is held in unquoted companies in the US and UK, which suffered badly during the early 1990s recession. Page 27

Private buyer for Nu-swift
Fire protection and property group Nu-Swift is to be bought by Euro Fire Security, a private company indirectly owned by Nu-swift's chairman, Mr Jacques Murray. Euro Fire will offer 388p in cash for each Nu-Swift share. Page 29

European bourse recovers ground
November was a firm month for European bourse volume. After a fall of 19.1 per cent in September on August, and a compensating gain of 10.1 per cent in October, Europe's eight biggest markets turned over 2.9 per cent more in November than in the month before. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Berliner Bank	507	+	23
Goldschmidt	882	+	27
Linotype-Hell	343	+	11
MAN	385.5	+	8
Falls			
Metallgesellschaft	293	-	12.2

NEW YORK ($)

Rises			
Best Buy	44¼	+	1⅛
Skyline Corp	18¾	+	1½
Falls			
Eastman Kodak	54½	-	1⅛
Ennex Intl	12⅛	-	2
Fruit of Loom	26⅞	-	3½
Woolwth	24	-	3

PARIS (FFr)

Rises			
AGF	710	+	20
EBF	705	+	32
Nord Est	164	+	8.4
Ocean	191	+	8
Falls			
Coparex	680	-	19
Elf Sanofi	985	-	17

TOKYO (Yen)

Rises			
Janome Sw Mach	325	+	32
Kinden	1840	+	80
M'shita El Ind	1620	+	50
M'bishi Rayon	331	+	25
Nikon	885	+	45
Falls			
Nippon Conveyor	480	-	30

New York prices at 12.30.

LONDON (Pence)

Rises			
Albion	144	+	9
Caradon	393	+	15
Fairline Boats	298	+	18
Highland Dist	358	+	19
Intercare	150	+	14
Jacques Vert	179	+	17
M & G Group	995	+	20
Manders	350	+	14
Nu-Swift	400	+	50
Pearson	610	+	13
Sleepy Kids	85	+	6
SmKl Beecham A	395	+	14
Sutcliffe Spk	54	+	5
Victoria Carpt	120	+	17
Wolseley	884	+	31
Falls			
Arjo Wiggins	228	-	23
BS	364	-	21
Kingfisher	710	-	15
NatWest Bank	581	-	16
Steel Burrill	117	-	12

Stet leads bidding for Matav stake

By Nicholas Denton in Budapest

Deutsche Telekom, the German state-owned telecommunications company, and Stet International, its Italian counterpart, were last night battling for the 30 per cent of Hungarian operator Matav on sale in eastern Europe's biggest privatisation.

Stet, with its consortium partner, Bell Atlantic, the US regional operator, is understood to have made the highest offer of more than $910m.

Deutsche Telekom, the German state telecoms provider, and partner Ameritech, a regional Bell operating company, are understood to have taken second place with a bid believed to be $860m.

Telekom and Ameritech will make up much ground in the evaluation by charging a much lower "management fee" than the Stet alliance.

France Telecom, the state monopoly, and its partner US West, another Bell company, have bid $830m.

In the previous round of the tender, Stet submitted the highest preliminary "indicative" bid and competitors believe that backing by Simest, the Italian state investment agency, has sweetened the Italian financial calculations.

Telekom and Ameritech have increased their price the most since the last stage and the increase contributed to the withdrawal earlier this week of the UK's Cable & Wireless from their consortium.

Budapest will also consider the technical quality of the submissions. US West has promoted itself as bringing broadband, multi-media networks to Hungary. Rival contenders claim equal if not greater technological expertise and most observers doubt whether the prospect of services such as video-on-demand has much appeal in a country where 700,000-800,000 people are waiting for a telephone line.

Hungary's need to cut the budget deficit and stick to targets agreed with the International Monetary Fund also give proceeds a premium and participants in the tender believe it will be decisive.

Bidders could top up their offers if the tender for two concessions to operate digital mobile services is any guide. In that case the high-bidding consortium led by Telekom lost after a Scandinavian group was invited or allowed to match and beat the German offer.

One consortium was yesterday believed to be considering priming its bid at the last minute. But the tight schedule of the transaction – the outcome is due to be announced on Sunday – makes negotiations difficult.

Credito Italiano shares fall as speculators get out

By Haig Simonian in Milan

Shares in Credito Italiano, Italy's seventh biggest bank, which has just been privatised, fell yesterday on the first day's trading after investors received details of their allocations.

The bank's stock reached a low of L2,200, against a closing price of L2,320 on Wednesday, before ending the day at L2,237. The shares, which had been expected to drop as speculators sold unwanted stock, were also hit by news of a tax investigation into large write-offs claimed by the bank in conjunction with the purchase of a loss-making company in 1987.

Allocations of shares to thousands of retail investors had to be scaled back because of heavy demand in Italy's first mass privatisation. About 100,000 of the more than 292,000 applications received from domestic retail investors will not be filled, while successful applicants will be limited to a maximum of 2,500 shares.

About 70 per cent of the 840m ordinary shares being sold by the IRI state holding company will go to Italian investors. Around 60 per cent of IRI's stake has been bought by retail buyers, while 10 per cent will go to Italian institutional investors. The remaining stock has been sold outside Italy, with strong demand from the US and Europe.

IRI is holding back a further 45m ordinary shares, to be used as a "loyalty" bonus to retail investors who keep their holding for at least three years. Eventually, IRI will dispose of its entire 67 per cent stake in the bank's ordinary capital.

The Credito Italiano flotation has already provided lessons for the Italian authorities, notably the Consob stockmarket watchdog.

It was at Consob's behest that retail allocations were not scaled back below the 2,500 share minimum level, even though it became clear early on that many applicants would not receive stock owing to high demand.

"The Italian authorities may have erred on the side of caution by setting a relatively high minimum purchase level," said one banker.

"Possibly in future privatisations, they will set a lower ceiling, closer to the levels in some other recent European sell-offs, to make sure more applicants receive shares and to broaden shareholders' registers."

M&G surges as recovery plays pay

By Philip Coggan, Personal Finance Editor

Shares in M&G jumped 30p to 995p yesterday as the UK fund management group announced a 36 per cent increase in its final dividend for the year to September 30. Full-year pre-tax profits rose 29 per cent from £39.4m to £50.9m ($75.7m).

Funds under management rose 45 per cent, helped by buoyant stock markets and a strong improvement in the group's investment performance. M&G follows a "value investing" style – looking for shares with artificially depressed prices – which tends to suffer during recessions, but performs very well in periods of recovery.

The group's sales of unit trusts (sales minus redemptions) were just £92m for the year to September 30, against an industry total of more than £7bn.

Some unit trust launches have offered yields as high as 10 per cent and have been very successful. But Mr Paddy Linaker, group managing director, did not feel that such products were appropriate for M&G clients.

He warned of the problems unit trust groups faced in the 1970s, when "withdrawal plans" led to the erosion of investors' capital in the 1973-74 bear market.

At September 30, unit trust funds under management were £6.32bn (£4.15bn); investment trusts were £662m (£456m); life and pension funds were £2.14bn (£1.55bn); and institutional investor clients were £3.34bn (£2.45bn). Total funds under management were £12.46bn (£8.59bn), or £10.56bn after allowing for double counting.

Revenue from investment management was £63.7m (£59.4m). Marketing and commissions expenditure was £13.17m, down from £18.53m in 1991-92 when the company launched two investment trusts. Administration expenditure was £18.6m (£17.9m).

The group's insurance activities contributed £12.69m (£10.19m). The accounting treatment of this business will change this year in order to reflect the EC Insurance Accounts Directive. The change will recognise the actual profit earned from insurance operations in the period rather than a distribution of surplus.

The final dividend is increased from 11p to 15p, making a total of 25p, against 20p. Earnings per share rose from 36.4p to 47.8p.

Lex, Page 20

Paul Abrahams reports on negotiations among Europe's petrochemicals producers to cut loss-making capacity

Pooling funds to ease the pain of change

Europe's petrochemicals industry is in agony. Profitability has fallen for five years and not a single producer is covering reinvestment costs. Today the sector's most important manufacturers will tackle the cause of the suffering.

Delegates from Europe's most important manufacturers of ethylene, the basic building block of plastics, are gathering in Brussels under the auspices of the Association of Petrochemicals Producers in Europe to discuss closing capacity. The 10-strong subcommittee is expected to make a final decision about whether to recommend a Europe-wide rationalisation programme.

The problem facing the sector is deceptively simple. There are 53 ethylene crackers in western Europe with capacity of 18.4m tonnes a year. Next year the figure will rise to 19.34m tonnes because of BASF's new 650,000-tonne-a-year plant in Antwerp.

In contrast, demand, hit by the European recession, is expected to be only 15.6m tonnes next year, according to Trichem consultants, the London-based industry specialists.

This autumn's price increases were undermined by discounting

Given the massive imbalance between supply and demand, prices of ethylene derivatives remain grim and capacity utilisation rates during the fourth quarter have drifted below 80 per cent. Polystyrene prices have tumbled from more than DM2.60 ($1.53) a kilo in 1989 to less than DM1.50 while polypropylene prices have plummeted from DM2.30 a kilo in 1990 to just over DM1. Efforts by manufacturers to raise prices this autumn have been largely unsuccessful. Increases were almost immediately undermined by discounting. The only exception was PVC, which has gone up 20 per cent since September, but from a devastatingly low base.

The solution appears obvious. The industry must cut capacity. The proposal being discussed today is that between 1.5m tonnes and 2m tonnes a year of ethylene capacity should be shut down. This would be achieved by setting up a DM500m fund based on a levy of about DM30 per tonne of installed capacity. Those manufacturers wanting to close capacity would then bid for part of the fund in return for shutting down their plants. Some derivative production would also need to be closed.

According to estimates by brokers James Capel, Enichem of Italy would pay DM63m into the scheme for its capacity of 2.1m tonnes a year; Shell DM51m for its 1.7m tonnes; Dow DM48m for its 1.6m tonnes; BASF and Elf Atochem DM45m each for their 1.5m tonnes; the Fina-Neste joint-venture DM30m for its 1m tonnes; DSM DM30m for its 1m tonnes; and Imperial Chemical Industries DM18m for its 600,000 tonnes.

Mr Jukka Viinanen, APPE president, is optimistic about the plan's prospects. But the barriers to rationalisation remain considerable. These include environmental clean-up and redundancy costs, as well as the political obstacles to closing state-owned plants.

Last month members of the APPE general council members voted 20 to three in favour of the plan, with two abstentions. But if the plan is to work, unanimity is needed.

Ethylene producers have remained unwilling to discuss prospects for the meeting. The sticking points appear to be:

- Whether the capacity closures would be sufficient to justify the fund's creation.
- Whether producers, which closed capacity in the 1980s at their own expense and are now cost-efficient, should pay for others to close plants. ICI, for example, closed 650,000 tonnes of capacity during the 1980s.
- Whether a moratorium on new capacity could be agreed. There would be little point in closing capacity if other manufacturers added new production soon afterwards.

The APPE is determined that a decision on whether or not to press ahead with the plan should be made today. Delaying it further could be counter-productive, preventing rationalisation that would take place anyway. Mergers of individual businesses – such as between Shell and Himont, Enichem and BP Chemicals, and Neste and Statoil – appear to be in limbo.

Even if the steering committee does give the green light to the plan, it has to be approved by the members' boards and by the European Commission.

Earlier this month Mr Karel Van Miert, European competition commissioner, said he needed to be convinced the situation facing the industry was not merely a dip in the business cycle, but rather a true structural crisis with no hope of a reasonable recovery without rationalisation. He also warned that any restructuring should not be used to create an anti-competitive cartel. If that was the case, the Commission would not hesitate to take appropriate action, he said.

Europe, with its high costs, has become a net importer of plastics

If the proposals go ahead, the question remains whether they will have any real impact.

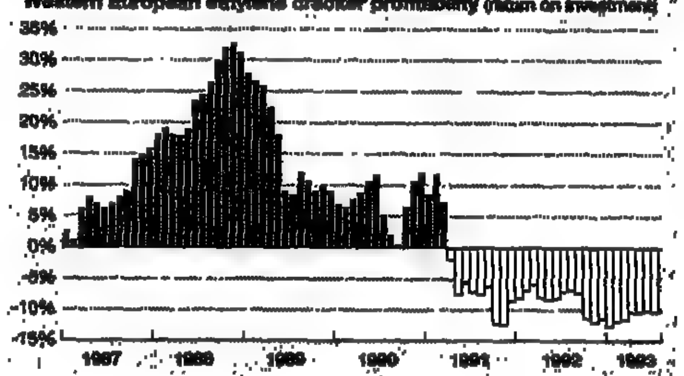
Over the past decade, Europe, with its high labour, energy, environmental and logistical costs, has become a net importer of plastics. Attempts at price rises may inevitably be undermined by greater imports from low-cost manufacturers in the US and Middle East.

In other words, the present unprofitability may be the consequence of structural change in the sector, rather than its traditional cyclicality. If so, the petrochemicals manufacturers' efforts to close capacity and swap or merge businesses may prove of little use.

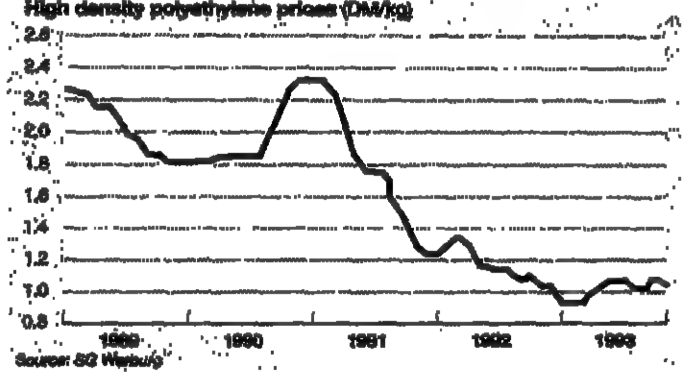
As Ms Hilfra Tandy, editor of Chemical Matters, the industry newsletter, has warned: the plastics producers' increasingly frantic efforts to save themselves could prove little more effective than passengers swapping deckchairs on the decks of the Titanic.

European petrochemicals: deep in the red

Western European ethylene cracker profitability (return on investment)



High density polyethylene prices (DM/kg)



Source: SG Warburg

Hotel group restructures as prelude to flotation

By Guy de Jonquières, Consumer Industries Editor

Inter-Continental Hotels, owned by the Japanese Saison group, is to split its management operations and property activities into two companies at the start of next year.

The move, which follows a similar restructuring last year by Marriott, the large US hotel chain, preludes the possible flotation of a minority of the shares in the property business in about three years' time.

Mr Gavin Simonds, until recently a director of Kleinwort Benson, and Mr Robert Collier, president of Inter-Continental group services, have been named joint managing directors of the two companies.

Mr Simonds, who will take up his position in February and will be mainly responsible for the property business, said the new structure would focus management resources more effectively.

"It will make the operating company a clear vehicle for winning new business and earning a profit by managing hotels," he said. "The future for Inter-Continental lies in using the power of its brand, its reservations system and other intangible assets."

The chain operates 121 hotels in 50 countries, most of which it does not own. It does not publish accounts.

Mr Simonds expected the two companies to have "a very close relationship", but they would also face a positive "creative conflict".

Mr Simonds said that unlike Marriott, which made large profits from property development until the market collapsed in the late 1980s, Inter-Continental had not traded actively in property.

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DECEMBER 1993

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Citroën chairman gives gloomy 1994 forecast

By John Ridding in Paris

Mr Jacques Calvet, chairman of PSA Peugeot-Citroën, the French car manufacturer, yesterday forecast a slow recovery in the European car market next year and said that demand would continue to be constrained by economic conditions.

At Citroën's annual press conference Mr Calvet predicted that European car sales would grow by just over 3 per cent next year to 11.78m cars, while the French market would grow by 5.7 per cent to 1.85m cars.

The estimate for the French market is lower than the 9 per cent growth forecast that the company made last month. "The last few months seemed worse than expected. We do not feel that there has been an upward move in orders," said Mr Calvet.

He said a sharp increase in car purchases at the end of last year, as consumers anticipated higher prices resulting from new safety and environmental regulations, had a distorting effect with this year's comparisons.

According to Mr Calvet, the European market will see an uneven pattern of growth next year.

In the UK, he expected car sales to rise by just under 4 per cent. In Italy sales are expected to remain stable, while strong growth of 13 per cent to 800,000 units is forecast for Spain. In Germany, by contrast, Mr Calvet forecast a contraction of 3.1 per cent in the car market.

Despite the difficult environment, Mr Calvet said Citroën should continue to strengthen its market position in 1994.

"With its recently completed range and in spite of very strong international competition, I think we should build on market share," he said. This year, the company said that it represented between 4.9 per cent and 5 per cent of the European market, up slightly from 4.8 per cent in 1992.

Mr Calvet described the economic climate this year as the worst since the second world war. He criticised "the religion of monetarists" and said the current environment required a looser monetary policy.

German steel makers link up

By Ariane Genillard in Bonn

Thyssen Stahl and Krupp-Hoesch Stahl, Germany's two largest steel makers, yesterday announced they will merge their production of tin plates, non-corrosive steels and sheets for the electrical industry in a last-ditch attempt to cut costs and reduce losses.

Thyssen said two new companies will be created through the merger. One will oversee the production of tin plates and will be majority owned by Thyssen which is the market leader in Germany for the product.

Thyssen Stahl's Rasselstein subsidiary in Neuwied, near Koblenz, produces 700,000 tonnes of tin plates a year, about twice the output of the Hoesch Stahl's Westfallenhütte plant in Dortmund.

A second new company will regroup non-corrosive steels and metal sheets and will be largely owned by Krupp-Hoesch which produces more in these divisions than Thyssen.

All three divisions at the moment account for about a tenth of the two companies' turnover and represent combined sales of roughly DM2bn ($1.2bn). The merger marks the first time that the two steel giants strike a partnership in areas where they have previously been fierce competitors.

Thyssen and Krupp-Hoesch are the only two producers of tin plates in Germany while their rivals in the other two divisions include German steel makers Preussag and Klöckner Stahl.

The merger provides a graphic illustration of the dire needs of the two loss-making steel giants to find new ways to reduce costs and achieve economies of scale.

Thyssen and Krupp-Hoesch had in the past often met to discuss potential mergers in these activities but talks, previously conducted when the steel business was booming, were unsuccessful.

Ascom bullish on Bosch venture

Ascom, the Swiss telecommunications group, yesterday said a planned venture with Robert Bosch, the German electronics and auto parts manufacturer, in private mobile radio would lead to improved results in 1995, Reuter reports from Berne.

The company said that negotiations about the venture would be completed during next year and until then Ascom would be responsible for all losses and restructuring costs at Ascom Radiocom, the fully owned private mobile radio subsidiary.

However, Robert Bosch said it planned to take a majority stake in Switzerland's Ascom Radiocom. It said an agreement had been signed with Ascom on Wednesday.

"With this co-operation Bosch's radio communications technology business should be further strengthened in the European private mobile radio market," Robert Bosch said.

Bosch has an annual turnover of DM280m ($163m) in its private mobile radio division which employs 1,100. Ascom will set aside provisions for 1994 losses and restructuring this year.

"The results will be significantly relieved in 1995," a spokesman said.

Ascom lost SFr79m in the first half of 1993 and has predicted a marked loss for the full year, mainly due to losses at the Radiocom unit.

Owners Abroad to axe 260 in shake-up

By Michael Skapinker, Leisure Industries Correspondent

Mr Francis Baron, new chief executive of holiday company Owners Abroad, yesterday announced the redundancy of 260 management and support staff and said he was conducting a review which could result in a change in the group's name.

Mr Baron, who took charge of Owners Abroad last month, said the group had little idea under its previous management of how profitable it was. He added that its branding and marketing strategy had been incoherent. The defence documents it published to fight off a takeover by its rival Airtours earlier this year had "lacked conviction", he said.

Mr Baron, a former television executive, was appointed head of the company to replace Mr Howard Klein, the former chairman and chief executive, who announced his resignation last July.

Mr Klein resigned after the group announced that full-year profits this year were likely to be half market expectations.

Mr Baron said yesterday's redundancies and an accompanying restructuring were the first part of a three-phase plan to restore the group's fortunes.

The restructuring will eliminate four levels of management, Mr Baron said. General managers and finance directors of subsidiary companies are among those leaving.

The second phase of the plan would be an improvement in information systems, which Mr Baron hoped to complete by the end of February.

The third phase is developing a new marketing and branding strategy, which should be ready by the end of March. It will then take another six months to implement.

● Airtours yesterday said it was renaming its Pickfords Travel and Hogg Robinson retail chains. All 550 shops will operate under the name Going Places. Airtours said it intended to complete the rebranding by Christmas.

Seat chief delivers rescue package

Kevin Done examines the challenge facing Juan Llorens when he presents his plans at VW's HQ

Mr Juan Llorens, chief executive of Seat, has had barely six weeks to get to grips with the beleaguered Spanish subsidiary of the Volkswagen group.

The mounting losses at the Spanish carmaker and the failure to produce a convincing restructuring plan led to the summary departure of his predecessor, Mr Juan Antonio Díaz Alvarez, at the end of September.

Tomorrow Mr Llorens will discover how well he passes muster at the Volkswagen headquarters, when he presents Seat's latest response to its mounting financial crisis to the VW supervisory board.

Mr Llorens, previously the head of the Spanish motor industry confederation, faces the task of wringing out of the supervisory board the further financial backing that Seat desperately needs to ride out the present storm.

"The boat is sailing in a very rough sea," said Mr Llorens yesterday. Important parts of his rescue package, including the negotiation of a 10 per cent pay cut for the entire Seat workforce, are still to be completed, but at least Mr Llorens has won the reluctant backing this week of the Spanish authorities and trade unions for a drastic cut in the Seat workforce that will be unprecedented in its severity.

In the face of losses at Seat that may now mount to around DM2bn ($1.2bn), including a DM600m restructuring provision, and dramatic overcapacity, Volkswagen was no longer willing to accept any plans from the company that were prepared on optimistic forecasts for an early recovery in the European new car market.

The restructuring plan that Mr Llorens will present tomorrow is now based on the closure of Seat's oldest assembly plant at Zona Franca in Barcelona.

Seat is being forced to consolidate all its car assembly at its new Martorell plant on the outskirts of Barcelona. The plant already makes the Ibiza hatchback and related Cordoba saloon cars launched during the last 12 months.

Now Seat plans to move production of its larger Toledo family car from Zona Franca to Martorell during the first half of next year. The dramatic concentration of Seat production will mean that the company will be forced to abandon the A-class segment of the European car market.

By late next year it will have been forced to give up production altogether of the Marbella small car, a range which was derived from the Fiat Panda.

Now the product development cupboard is bare for Seat in this segment of the market. It must sink or swim with its present product range, although it will add a new small car-derived van in 1995 at the Martorell plant. This will be derived from the Ibiza and will replace the Marbella-based Terra van range, which will be abandoned next year.

Under the terms of the restructuring plan agreed with the Catalonia government on Wednesday, Seat is planning to cut 9,000 jobs from a group workforce that totalled 23,756 at the end of October.

At the Zona Franca plant, where car assembly will cease during the second half of next year, it is eliminating 2,978 jobs through the early retirement of workers aged 55 and more. It has also won the support of the authorities to lay off a further 4,616 workers at the plant for a maximum of two years for each worker during the three years from 1994 to 1996. In addition it is eliminating up to 1,400 more temporary contract jobs.

The earlier plans for the expansion of Seat have turned out to be hopelessly over-optimistic in the face of the widespread recession in west European new car markets. Seat now has an installed capacity to produce 789,000 cars a year at its two plants, Zona Franca and Martorell, Mr Llorens said yesterday.

In fact output of cars under the Seat brand – excluding production of the VW Polo at the Pamplona plant in northern Spain – is expected to total only 296,000 this year. Seat is currently forecasting a production level of at least 320,000 for 1994, but Mr Llorens said yesterday that with some additional investment, capacity at Martorell alone could be increased to 500,000 vehicles a year.

After the transfer of all car assembly to Martorell, Seat will still have a workforce of around 2,900 left at the Zona Franca plant that will be engaged largely in the remaining press-shop, foundry and sub-assembly operations.

The big challenge facing the company will be the creation of a "supplier park" at the Zona Franca plant, where Seat hopes to attract automotive components suppliers that can establish operations to take on some of Seat's remaining surplus labour.

Under the agreement reached this week the 4,616 Zona Franca workers that are to be laid off for up to two years, could return to Seat at the end of the period.

"We are going to create a taskforce on Monday, which will have three years to re-locate all these people," said Mr Llorens yesterday. "It is not going to be easy. Our objective is that the number of people coming back at the end of 1996 will be zero."

To help reach that target and also cut its purchasing costs, Seat aims to increase the share of components it buys in Spain from 54 per cent at present to 67 per cent by 1996, which calls for the re-location of parts purchases totalling Pta32bn ($228m).

SCA finalises £250m UK deal

By Christopher Brown-Humes in Stockholm

SCA, a leading Swedish forestry group, said yesterday it had finalised an agreement with the South African-linked Minorco and Mondi Paper groups to build a £250m ($370m) paper machine at Aylesford in Kent in the UK.

The machine will be able to produce 280,000 tons of newsprint a year, lifting the plant's total capacity to 390,000 tons a year after an existing machine has been upgraded. The raw material will be recycled paper.

SCA Graphic Paper and Mondi European Holdings will each hold 50 per cent in a new company, Aylesford Newsprint, which will have a share capital of £130m and total capitalisation of around £300m. Part of the funding will come from a £20m UK government grant.

Both Minorco and Mondi Paper are shareholders in Mondi European Holdings, which was formed in 1990 to invest in the European pulp, paper and packaging sector. Mondi Paper is a subsidiary of Anglo American.

SCA said it expected continued growth in the European newsprint market and increased demand for paper made from recycled fibre. It says its raw material and distribution costs will be much lower near to a big population centre such as London, which is only 30 miles away from Aylesford, than if it built the same machine in Scandinavia.

The Swedish group recently raised SKr1.4bn ($166m) in a rights issue to help fund the cost of its UK investment. It has been anxious to proceed with the project since it acquired Reedpack in 1990, but wanted a partner to reduce its risk.

Swedish health group's loss less than forecast

ARJO, the Swedish healthcare group floated in Stockholm and London in October, has turned in a slightly smaller than forecast pre-tax loss for the year ended September 30.

It lost SKr139.1m ($16.5m) against an estimated SKr140.9m and a pre-tax profit of SKr15.2m a year earlier. Turnover was SKr1.1bn against SKr809.1m. If the company had been floated for the full year, thus saving on interest and foreign exchange costs, it would have reported a pre-tax profit of SKr178.7m.

This announcement appears as a matter of record only.

New Issue

December 1993

DOWA

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INTERNATIONAL COMPANIES AND FINANCE

Cragnotti given trading ban in Canada

By Bernard Simon in Toronto

Mr Sergio Cragnotti, the Italian financier, has agreed to settle allegations of Canadian securities law violations with a C$2.7m (US$2m) payment and a lifetime trading ban.

Under the terms of a settlement approved yesterday by the Ontario Securities Commission, Mr Cragnotti and his business associate Mr Robert Marziale have also been banned for life from serving as directors or officers of any public company in Ontario.

The allegations against Mr Cragnotti and Mr Marziale involve Lawson Mardon, the packaging group in which Cragnotti and Partners, the Milan-based investment group controlled by Mr Cragnotti, has a 52 per cent voting stake.

According to a statement of facts, nominee accounts controlled by Mr Cragnotti accounted for 48 per cent of all trades in Lawson shares in the six weeks prior to an equity offering by the company in October 1992.

The statement said that these purchases increased market liquidity and buoyed Lawson's share price.

Mr Cragnotti and Mr Marziale initially claimed they were not involved. But according to the statement, they "subsequently corrected their evidence and co-operated with (the commission's) staff".

A spokesman for Mr Cragnotti said he had agreed to the settlement to expedite a proposed takeover of Lawson Mardon by Alusuisse-Lonza, the Swiss industrial group. Alusuisse, in the middle of a due diligence assessment of Lawson, has indicated that the case against Mr Cragnotti will not affect its decision whether to proceed with its C$555m offer.

An OSC lawyer said yesterday that the penalties confirm "the commission's resolve to ensure compliance with rules designed to protect investors in the capital markets".

Mr Cragnotti was questioned by Italian police last month about his involvement in the Enimont bribes scandal. He has subsequently been released.

Keeping up with the Dow Jones' screen

A new video service mixes live and recorded information, reports Patrick Harverson

Wall Street was glued to the television set last week, watching live coverage of a Delaware supreme court hearing that may prove crucial to the $10bn bid battle for control of Paramount Communications.

A few investment bankers, traders and fund managers, however, were able to follow courtroom developments and monitor Paramount's stock simultaneously, thanks to live pictures from Delaware displayed on their desktop computer screens.

These few are subscribers to the Dow Jones Investor Network (DJIN), a new video business news service that allows users of desktop personal computers to watch live and recorded press conferences, interviews, shareholders' meetings, earnings announcements, and court cases.

DJIN was launched just two months ago by Dow Jones, the media and information group. The service is still in its infancy, with only a handful of subscribers paying the $750 a month rental. But, says DJIN, there is a lot of potential.

The company describes a future where moving and static video, audio, financial news, real-time price data, and sophisticated market analytics are shown on a single computer screen, and in an interactive environment allowing the user to shape the service to his own needs.

DJIN is not a new concept. A similar service was tried three years ago by Reuters. TV 2000 provided subscribers with moving pictures of interviews, press conferences and analysts' briefings, but was scrapped after only a few months.

If Reuters failed with TV 2000, why does Dow Jones think it can succeed? One answer is the rapid development of interactive and multimedia technology. Mr Mark Wood, editor-in-chief at Reuters, said that one of the main problems with TV 2000 was its delivery. The video pictures were sent to a separate monitor which sat next to the subscribers' Reuters screen, a system he describes as "awkward and intrusive".

DJIN is able to deliver moving video pictures straight to the subscriber's computer over the telephone line.

Another reason TV 2000 failed was the editorial content. Mr Wood says the company was never sure what kind of news was wanted in video form – an uncertainty that confused subscribers and undermined the product.

In contrast, Dow Jones has a clear idea what subscribers want, says Mr Martin Schenker, head of DJIN. The unit compiles a list of the day's programming each morning and faxes it to subscribers, who can call up any item at the press of a button.

Dealers could watch a conference and the market simultaneously

It offers about four video news events a day, representing some 2½ hours of content, but plans to add new programming every week. If an unplanned news story develops during the day, subscribers can be alerted to its availability by an on-screen newsflash.

Mr Schenker believes the success of DJIN will depend on the quality and exclusivity of its news. He says one of its strengths will be subscribers' ability to watch exclusive interviews with businessmen. The video interviews will give users much more than a text version or audio recording ever could, he says.

"It's not so much what the person says," he argues, "as how they say it."

DJIN is initially aiming the service at the professional investment community, judging that money managers will have time to watch the service, and will be most interested in extensive interviews with business leaders and detailed coverage of press conferences and shareholders' meetings.

One Wall Street portfolio manager who has been using DJIN for more than a month is aware of the dangers of information overload, but willing to devote the time to DJIN if the news or analysis it provides cannot be obtained elsewhere.

"In our business, as long as I find something value-added, I will figure out a way to make it part of my day."

There is still plenty of scepticism around about video business news, and whether it has a sufficiently attractive ingredient that cannot be found in newspapers, on newswires and radio and television financial news networks.

Dow Jones, however, sees DJIN as a launchpad for a more comprehensive product that will eventually give users access to live and stored news, data and analytics in an interactive form that will allow subscribers to tailor the information to their own needs.

Under this system, subscribers would pose their own questions to businessmen during live interviews.

They would be able to watch a company press conference, read the most recent press articles about that company, and look at graphics of the company's share price or earnings performance, all at the same time and on the same screen.

The trail is already starting to warm. Other information providers are considering on-terminal full-motion video news, notably Bloomberg Financial Services and Reuters, which is mulling a relaunch of a TV 2000-style product.

Canada airlines deadlock

By Robert Gibbens in Montreal

Air Canada and Canadian Airlines have failed to settle their quarrel over airline industry restructuring after nearly three weeks of face to face negotiations.

"The parties have very serious business differences that remain unresolved," said Mr Stanley Hartt, the lawyer called in by both sides to act as a facilitator.

The deadlock means several key issues will go before the courts, while Canadian Airlines and PWA, its parent company, arrange C$213m (US$159m) of interim financing to stay in business until they receive a C$246m equity infusion from American Airlines.

The talks focused mainly on the jointly-owned Gemini reservation system. Canadian Airlines must switch to American's Sabre system to qualify for the equity infusion.

Air Canada maintains Canadian Airlines is contracted as a Gemini shareholder until 1997.

Canadian Airlines is making a new offer to settle the Gemini issue, but refused to disclose details until Air Canada has studied it.

It said the deadline for American's equity infusion has been extended to June 30 1994. American would get 25 per cent control of Canadian Airlines in return.

Canadian Airlines plans to find ways of exiting from Gemini without causing its collapse.

If Air Canada refuses the latest undisclosed offer, Gemini would be dissolved and recreated in another form since it owns Canada's largest private telecommunications system.

Air Canada has offered in excess of C$1.1bn, including C$250m cash, for Canadian Airlines' foreign routes. It includes C$250m in cash and up to C$800m in relief of debt or lease obligations for three Boeing 747 and five Boeing 767 aircraft.

IBM will not subscribe to Groupe Bull rights issue

By John Ridding in Paris and Louise Kehoe in San Francisco

International Business Machines of the US will not subscribe to next year's FFr8.5bn ($1.44bn) recapitalisation programme for Groupe Bull, the loss-making, state-owned, French computer group.

The US computer group, which acquired 5.6 per cent of Bull's shares in early 1992, cited "other financial priorities" for its decision. IBM itself is struggling to cut costs to improve its weak financial performance.

But IBM said it remained committed to its alliance with Groupe Bull and that the two would continue to work on joint projects. IBM said it would continue to collaborate with Groupe Bull on Reduced Instruction Set Computing (RISC) microprocessor technology.

Bull said other existing industrial agreements, such as the manufacture of circuit boards by Bull for its US partner would also continue.

Bull's other main shareholders, the French state, France Telecom, and NEC, the Japanese electronics group, have agreed to provide their share of the refinancing package.

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and

U.S. $120,000,000 2 per cent. Guaranteed Notes due 1997 (the "1997 Warrants")

Pursuant to the instruments dated 20th December, 1990, 13th February, 1992, 3rd December, 1992 and 25th March, 1993 (the "Instruments") relating to the above-captioned Warrants, respectively, notice is hereby given with regard to an adjustment to the subscription prices of the 1994 Warrants, the 1996 Warrants, the 1996 Warrants/No. 2 and the 1997 Warrants resulting from an issue by the Company of U.S. $130,000,000 1¼ per cent. Guaranteed Notes due 1997 with Warrants at the initial subscription price of ¥431 per share of common stock of the Company (the "Shares") which is less than the current market price of ¥525.70 per Share on the date such initial subscription price was fixed. The results of the adjustments are as follows:

(1) The 1994 Warrants
Before adjustment: ¥668.30 per Share.
After adjustment: ¥656.30 per Share.

(2) The 1996 Warrants
Before adjustment: ¥494.50 per Share.
After adjustment: ¥484.90 per Share.

(3) The 1996 Warrants/No. 2
Before adjustment: ¥527.00 per Share.
After adjustment: ¥515.90 per Share.

(4) The 1997 Warrants
Before adjustment: ¥567.00 per Share.
After adjustment: ¥555.10 per Share.

Such adjustment to the subscription prices shall be effective as of 16th December, 1993 (Japan time), pursuant to the respective Instruments.

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY
as Disbursement Agent
on behalf of:
DOWA MINING CO., LTD.
Dated: 17th December, 1993.

NOTICE TO THE WARRANT HOLDERS OF

YUASA

Yuasa Trading Co., Ltd.
(Formerly, Yuasa Shoji Co., Ltd.)

U.S.$100,000,000 4⁷/₈ per cent. Guaranteed Bonds due 1994 with Warrants

Pursuant to Clause 3(xiv) of the Instrument dated 13th September, 1990 (the "Instrument") relating to the above-captioned Warrants (the "Warrants"), notice is hereby given as follows:

In accordance with the resolutions of the Board of Directors of Yuasa Trading Co., Ltd. (the "Company") adopted at the meetings held on 30th November and 8th December, 1993, the Company issued Swiss Francs 130,000,000 ⅞% Swiss Franc Guaranteed Notes Due 16th December, 1997 with Warrants at the initial subscription price of Yen 492 per share.

As a result of the above issue, the Subscription Price (as defined in the Instrument) of the Warrants has been adjusted pursuant to Clause 3(vii) of the Instrument as set forth below:

Subscription Price before adjustment: Yen 1,050.3
Subscription Price after adjustment: Yen 1,016.9
Effective date of adjustment: 17th December, 1993, Japan Time

Yuasa Trading Co., Ltd.
(Formerly, Yuasa Shoji Co., Ltd.)
By: The Sumitomo Bank, Limited
London Branch
As Principal Paying Agent

Dated: 17th December, 1993

NEW ISSUE — This announcement appears as a matter of record only. — December, 1993

Nankai Electric Railway Co., Ltd.

U.S.$300,000,000

1⅝ per cent. Bonds 1997

with

Warrants

to subscribe for shares of common stock of Nankai Electric Railway Co., Ltd.

ISSUE PRICE 100 PER CENT.

Daiwa Europe Limited — Nomura International
Sumitomo Trust International plc — Sanwa International plc
Sumitomo Finance International plc — BSI-Banca della Svizzera Italiana

Barclays de Zoete Wedd Limited
BNP Capital Markets Limited
Cresvale Limited
Dresdner Bank
Goldman Sachs International Limited
Indosuez Capital
KOKUSAI Europe Limited
LTCB International Limited
Merrill Lynch International Limited
Mitsui Trust International Limited
New Japan Securities Europe Limited
Nippon Credit International Limited
N M Rothschild and Smith New Court
J. Henry Schroder Wagg & Co. Limited
Towa International Limited
UBS Limited
S.G. Warburg Securities
Yamaichi International (Europe) Limited
Baring Brothers & Co., Limited
Cosmo Securities (Europe) Limited
Dai-ichi Europe Limited
Robert Fleming & Co. Limited
IBJ International plc
Kleinwort Benson Limited
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Meiko Europe Limited
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Morgan Stanley International
Nikko Europe Plc
Paribas Capital Markets
Salomon Brothers International Limited
Swiss Bank Corporation
Toyo Trust International Limited
Universal (U.K.) Limited
Westdeutsche Landesbank
Yasuda Trust Europe Limited

NEW ISSUE — This announcement appears as a matter of record only. — December, 1993

TASAKI SHINJU CO., LTD.

U.S.$100,000,000

1⅛ per cent. Guaranteed Bonds Due 1997

with

Warrants

to subscribe for shares of common stock of Tasaki Shinju Co., Ltd.

Payment of principal and interest being unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

ISSUE PRICE 100 PER CENT.

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Sumitomo Finance International plc — Baring Brothers & Co., Limited

Nomura International
Sakura Finance International Limited
Deutsche Bank AG London
Goldman Sachs International Limited
Morgan Stanley International
Paribas Capital Markets
UBS Limited
Wako International (Europe) Limited
Meiko Europe Limited
Sanwa International plc
Norinchukin International plc
Barclays de Zoete Wedd Limited
Robert Fleming & Co. Limited
Merrill Lynch International Limited
New Japan Securities Europe Limited
Sanyo International Limited
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Dongsuh International (Europe) Limited
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Sumitomo Trust International plc

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- Enables you to select the most suitable legal structure for an enterprise
- Supplies checklists so you avoid common mistakes when registering
- Provides sample registration forms and letters to obtain the relevant authorisations
- Lists addresses and contact details of key agencies in Moscow

Much of this information is simply unavailable elsewhere and will be of real practical everyday use to anyone intending to do business in Russia, as well as legal, financial, accounting and other advisors.

The Guide to Registering Companies in Moscow is available exclusively from Financial Izvestia — to order your copy, see below.

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INTERNATIONAL COMPANIES AND FINANCE

Pinault-Printemps in FFr540m sale

By Alice Rawsthorn in Paris

Pinault-Printemps, the heavily indebted French retail group, is continuing its capital raising programme by raising FFr540m ($91.8m) through the sale of its property interests to Unibail, one of France's largest property and leasing concerns.

The two companies have agreed terms for a complicated deal whereby Unibail will pay FFr540m to take a 60 per cent stake in Société Immobilière Provence, a subsidiary of Pinault-Printemps that owns a number of the group's properties.

The properties controlled by Société Immobilière Provence include one of the buildings at the flagship Printemps department store on rue Caumartin in the 9th *arrondissement* of Paris and the neighbouring Prisunic store.

Pinault-Printemps has for two years been trying to reduce the debt incurred when Pinault, the industrial group led by Mr François Pinault, mounted a controversial FFr5.3bn partial bid for Au Printemps, the prestigious retail group that includes the La Redoute mail order business as well as its eponymous department stores.

The debt reduction programme has included aggressive asset sales and complex deals to restructure Pinault-Printemps's loans negotiated with Crédit Lyonnais, the group's main banker.

The Unibail transaction brings the total raised from asset sales by Pinault-Printemps in 1993 to over FFr5bn, thereby reducing its net debt to around FFr13bn by the year end.

However, the group's operations have been affected by the French recession. It recently confirmed that it expected a fall in operating profits to FFr2bn in 1993 from FFr2.8bn in 1992.

Despite the pressures on Pinault-Printemps, Mr Pinault has continued to pursue personal deals, including this summer's FFr690m acquisition of Château Latour, one of the finest Bordeaux wines.

He has also expressed interest in Fnac, France's leading books and music retailer.

Good first half for Dickson Concepts

By Louise Lucas in Hong Kong

Dickson Concepts, the Hong Kong-based luxury wholesaler and retailer, yesterday reported a 10 per cent rise in profits to HK$143.56m (US$18.6m), after tax and minority interests, for the six months to September 30. This compares with HK$130.46m for the comparable period last year.

Mr Edwin Ing, executive director and company secretary, said the interim period marked a phase of consolidation for the group in its position as a premier international retailer and wholesaler of luxury goods.

It was also broadly a time of expansion, as Dickson forged stronger links with the China market and creamed off bigger profits from London store Harvey Nichols, which it bought for £53.7m ($80m) from the Burton Group in October 1991.

Overall, turnover rose 2.8 per cent to HK$1.32bn from HK$1.29bn, and earnings per share improved 1.9 cents to 20.9 cents. The interim dividend is to be maintained at 10 cents.

Dickson Concepts next year plans to follow up its successful launch of upmarket designer labels on the mainland with the opening of two new boutiques: exclusive Polo/Ralph Lauren and Harvey Nichols stores in Shanghai and Shenzhen.

Also in Shanghai, the J. J. Dickson Arcade – 100,000 sq ft of luxurious shopping, into which the group invested an initial US$24m – is due to come on line next month.

Mr Ing said: "The group's retail network across the world has now been expanded to well over 200 outlets.

"With development programmes being implemented throughout the group's operations worldwide, the group is confident that given its healthy debt-free financial position and its strong recurring income base, it will be able to substantially increase its turnover and profits capabilities once these projects reach fruition."

State to sell Fletcher Challenge stake

The New Zealand government is in the process of selling its 6.9 per cent stake in pulp and forestry company Fletcher Challenge, according to senior industry sources, Reuter reports from Wellington.

The sources said CS First Boston had been mandated by the government to sell the shares it bought as part of a complex deal early last year.

They said it appeared a US institution was the likely buyer of both of the government's classes of Fletcher Challenge shares – ordinary shares and Fletcher Forest.

A spokesman for finance minister Bill Birch declined to comment on the report, which was confirmed by highly placed government sources. The industry sources said did not know the price at which the government would sell its 104.5m ordinary shares and its 26.13m forestry class shares.

The government bought its holding at NZ$3.83 a share in March 1992 as part of a put-and-call options deal involving the earlier sale of the state's energy assets to Fletcher Challenge. The deal was struck before Fletcher had created the separate forestry class of shares and cost the government NZ$400m (US$223.5m).

Mr Bill Birch and Ruth Richardson, previous finance minister, have said the government does not intend to be a long-term holder of its Fletcher shares.

Fletcher's ordinary shares closed on the New Zealand exchange at $3.43 each on Thursday and its forest shares closed at $2.97 each. Fletcher's ordinary ADRs closed in New York on Wednesday at US$18¾ and its Forest division ADRs closed at $16⅝. The ADRs trade in bundles of 10 shares each.

HKSE to introduce regulated short-selling

By Louise Lucas

The Hong Kong Stock Exchange is to introduce regulated short-selling on January 3, further underlining its commitment to become an international-league player.

However, arbitrage and hedging will initially be heavily limited by a 14-day curb on stock lending, a prerequisite for short selling.

Legislation to extend the 14-day period and to remove stamp duty obligations are expected to be passed by the Legislative Council in the first quarter of the new year.

Mr Paul Chow, chief executive of the HKSE, said a pilot scheme would be launched with an initial 16 highly liquid securities, with market capitalisations above HK$10bn (US$1.3bn).

Stocks designated in the first raft to come on stream include Cheung Kong (Holdings), Wharf (Holdings), Hongkong Telecommunications and HSBC Holdings. A further five companies will be eligible once they start trading on the automated trading and order-matching system, which came on-line last month.

In line with US regulations on short-selling, short sales can only be made at or above the best current ask price quoted in the Automatic Order Matching and Execution System (AMS). This is to prevent the market being driven lower by short-selling activity alone.

On top of reporting requirements, members will be banned from "naked" short-selling, where positions are not covered by borrowed stock.

Mr Chow said the introduction of regulated short-selling marks another significant step forward in the exchange's bid to develop a full range of investment products and strategies to increase Hong Kong's attraction as an international finance centre. "It is also an important indicator of the growing maturity of the Hong Kong market," he said.

Currently, Japan is the only Asian market offering short-selling, but exchanges in both Malaysia and Singapore are exploring the possibility.

NEWS DIGEST

Japanese insurers warn of claims rise

Investment profits on assets at Japan's 25 non-life insurers fell 9.7 per cent in the six months to September to Y563.9bn ($5.27bn) from the same period a year earlier, Mr Takashi Onoda, chairman of the Marine and Fire Insurance Association of Japan, said, Reuter reports from Tokyo.

Mr Onoda told a news conference that the lower yields were mainly due to falling interest rates.

Net premiums of the 25 firms rose 3.1 per cent to Y4,790bn, while net insurance claims increased 2.9 per cent to Y1,670bn over the same period, he said.

The association expects insurance claims to rise sharply in the second half of 1993-94 as heavy rains and typhoons this summer caused serious damage throughout Japan, Mr Onoda said.

Japan's non-life insurance firms and the finance ministry are studying measures to cope with foreign insurers' demands to open the insurance market wider to newcomers, he added.

Australian shipping line still in red

Australia's national shipping line, ANL, has recorded its second consecutive net loss due to sluggish world trading conditions, Reuter reports from Canberra. However, the soon-to-be privatised line said it expected to break even in the year to June 1994.

ANL reported a net loss of A$8.3m (US$5.4m) against a loss of A$8.9m the previous year although it posted a pre-tax profit of A$8.7m compared with a loss of A$19m a year earlier.

The group's finance manager, Mr Daryl Corney, said a number of strategic postions taken by ANL in earlier years, particularly in the coastal business, began to pay dividends in the latest year.

He said the group hoped to at least break even in 1993-94 even though international trading conditions were not expected to pick up until 1995-96 according to World Bank forecasts.

The government said in August it would seek to privatise the company this financial year, although little progress on a sale has been made. Analysts expect the company to fetch up to A$150m.

Westmont excluded from oil auction

Malaysian company Westmont Holdings, one of three foreign groups which submitted bids for 40 per cent of Philippine oil refiner and distributor Petron Corp, has protested its exclusion from the auction, Reuter reports from Manila.

The group's local representative, Mr Manuel Estrella, said Westmont would contest the decision by the Philippine National Oil Co rejecting their bid without explanation.

The Saudi Arabian Oil Co (Aramco) won a 40 per cent stake in Petron after bidding $502m or $62m above the minimum price of $440m.

The Malaysian national oil company Petronas bid $421m.

Monico Jacob, president of PNOC, Petron's parent company, said on Wednesday the auction committee returned Westmont's bid unopened after it failed to meet pre-qualification or technical requirements.

Metro Holdings sells its interest in toys

Metro Holdings, the Singaporean retailing and construction conglomerate said it would sell its entire 50.1 per cent interest in Toys 'R' Us Metro to TRU for US$2.5m cash, Reuter reports from Singapore.

It is also finalising the sale of its 60 per cent sake in Toys 'R' Us (Malaysia) to be announced later, the company said.

Metro said Toys 'R' Us Inc had expressed a desire to own and operate TRUS and TRUM. The relationship between Toys R Us and TRU Inc was not specified.

NEW ISSUE — *All these securities have been sold, this announcement appears as a matter of record only* — December 17, 1993

The Export-Import Bank of Japan

(incorporated under The Export-Import Bank of Japan Law)

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unconditionally and irrevocably guaranteed by

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Issue Price: 101.46%

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[illegible]

Half hour period ending	Pool purchase price	Pool purchase price	Pool selling price
0030	18.22	28.12	27.80
0100	24.95	20.27	22.15
0130	24.95	28.12	[illegible]
0200	24.95	28.12	[illegible]
0230	24.95	28.12	[illegible]
0300	24.95	28.12	[illegible]
0330	24.95	28.12	27.80
0400	24.95	28.12	27.80
0430	22.59	22.01	24.30
0500	18.11	22.01	[illegible]
0530	22.00	18.29	18.29
0600	22.00	18.27	18.27
0630	22.59	18.29	18.29
0700	23.30	24.36	28.72
0730	26.66	[illegible]	27.21
0800	24.47	29.67	30.64
0830	28.38	25.45	27.33
0900	28.39	29.00	30.67
0930	30.30	29.10	[illegible]
1000	[illegible]	29.10	[illegible]
1030	26.85	[illegible]	[illegible]
1100	26.86	25.49	27.24
1130	26.86	25.46	27.24
1200	25.56	25.46	27.24
1230	24.47	25.46	27.24
1300	23.86	25.26	27.14
1330	23.64	25.26	27.13
1400	23.64	[illegible]	27.13
1430	23.04	24.81	26.59
1500	18.22	24.81	26.59
1530	18.22	18.25	18.25
1600	23.65	18.49	18.45
1630	28.11	[illegible]	[illegible]
1700	32.54	41.25	[illegible]
1730	35.65	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	31.74	31.85	34.05
1900	27.75	[illegible]	[illegible]
1930	[illegible]	27.80	29.41
2000	25.22	26.22	28.00
2030	[illegible]	25.74	27.52
2100	[illegible]	24.95	26.73
2130	[illegible]	24.34	26.12
2200	23.22	24.34	26.12
2230	[illegible]	24.21	[illegible]
2300	[illegible]	24.21	[illegible]
2330	[illegible]	18.27	18.27
2400	[illegible]	18.18	18.18

[illegible]

These securities have been sold. This advertisement appears as a matter of record only.

US$183,000,000

4.50 per cent. Convertible Guaranteed Bonds Due 1998

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(incorporated in the Cayman Islands with limited liability)

Guaranteed as to principal and interest by, and convertible into shares of,

Shougang Concord International Enterprises Company Limited

The Bonds have been placed with selected institutional and professional investors by

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ABN AMRO Securities (Far East) Limited — Paribas Capital Markets
Bear Stearns Asia Limited — Goldman Sachs (Asia) Limited
The Nikko Securities Co., (Asia) Limited — Peregrine Brokerage Limited
Schroders Asia Limited — Swiss Bank Corporation
Wood Gundy Inc.

December 1993

Mortgage Securities (No.2) PLC
$250,000,000
Mortgage backed floating rate notes due 2028
For the interest period 15 December 1993 to 15 March 1994 the notes will bear interest at 5.6019% per annum. Interest payable on 15 March 1994 will amount to $1,381.29 per $100,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

U.S. $150,000,000
中国人民建设银行
The People's Construction Bank of China
(Established under the laws of the People's Republic of China)
Floating Rate Notes due 1997
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from December 17, 1993 to June 17, 1994 the Notes will carry an Interest Rate of 4.05% per annum. The interest payable on the relevant interest payment date, June 17, 1994 will be U.S. $20.48 per U.S. $1,000 Note and U.S. $5,118.75 per U.S. $250,000 Note.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
December 17, 1993
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For the Interest Period from December 15, 1993 to March 15, 1994 the Note Rate has been determined at 5.84219% per annum. The interest payable on the relevant interest payment date, March 15, 1994 will be £594.36 per £41,259.51 nominal amount.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
December 17, 1993

LONDON RECENT ISSUES
Newly issued shares appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.
In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest Indices and London traded options prices.
On Saturdays it appears on the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

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INTERNATIONAL CAPITAL MARKETS

Money supply figures hit German bunds

By Sara Webb in London and Frank McGurty in New York

German government bonds tumbled yesterday following the release of disappointing money supply figures, and the market proved unable to make up for lost ground later in the day, ending a quarter point lower. Most activity took place in the futures markets, while cash bond prices ended little changed, dealers said.

Bund market participants had started the day awaiting the outcome of the Bundesbank's final council meeting for 1993, with some dealers hoping to see an easing. However, with the release in the morning of higher than expected M3 money supply figures, any hopes of a rate cut evaporated and the futures prices fell sharply.

German M3 money supply grew at an annualised rate of 7.2 per cent in November, compared with a 6.9 per cent rise in October and well outside the central bank's 4.5 to 6.5 per cent target range. Bund market participants were taken by surprise as money supply had appeared to be gradually edging down in recent months.

In the three months to November, growth in M3 money supply was an annualised 7.5 per cent, compared with a seasonally adjusted annualised rate of 5.5 per cent in the August to October period.

At its council meeting yesterday, the Bundesbank left its key interest rates unchanged, and economists now expect the next reduction in the 5.75 per cent discount rate and 6.75 per cent Lombard rate possibly to take place early next year.

The Bundesbank announced a 1994 M3 target of 4 to 6 per cent, which dealers said did not come as a surprise, adding that the targets have not been achieved in the last two years.

■ UK government bonds continued their energetic rally following the latest batch of economic news showing that inflationary pressures remain subdued while the economy comes out of recession.

Although the gilt market's upward momentum was interrupted briefly by the release of worse-than-expected German money supply figures, long-dated gilts gained half a point on the day, helped by the low inflation background, while short-dated issues underperformed, with a rise of about $\frac{1}{16}$ point, as the chance of a near-term base rate cut appeared more remote.

GOVERNMENT BONDS

Underlying average earnings rose by 3 per cent year-on-year (seasonally adjusted) in October, after 3 per cent in September. Meanwhile, the number of unemployed fell much more sharply than the market had expected, with a provisional, seasonally adjusted 36,100 drop in November to 2.82m or 10 per cent of the workforce. The figures follow a steep drop in October, which was revised to a 52,100 fall from 49,000.

Coupled with Wednesday's stronger than expected retail sales data, the sharp drop in unemployment means there is less reason to hope for an imminent base rate cut.

On the funding front, the Treasury announced that the Public Sector Borrowing Requirement (PSBR) for November was £3.1bn. While this was slightly higher than market expectations, dealers said the news had little impact on the gilt market because funding pressures have eased in the wake of the Budget announcement.

The 7¼ per cent gilt due 1998 gained $\frac{1}{32}$ to trade at 106⅝ by late afternoon while the 8¾ per cent stock due 2017 gained half a point to trade at 126¾.

■ The US Treasury market slipped in thin trading yesterday morning, but a further barrage of bearish news for fixed-rate investments barely dented bond prices.

By midday, the benchmark 30-year government bond was down ⅛ at 99¼, with the yield rising to 6.284 per cent. At the short end, the two-year note was $\frac{1}{32}$ easier at 100$\frac{1}{16}$, to yield 4.199 per cent.

The Commerce Department said the US merchandise trade deficit narrowed a touch in October, but both exports and imports showed solid gains, suggesting a heightened level of business activity despite sluggish overseas markets.

That impression was reinforced by the Federal Reserve of Philadelphia, which said its index of regional business activity surged to 42.4 this month from 22.4 in November.

Even though the market expected a reading of 32, the reaction was still muted. Prices at both ends of the yield curve dipped before stabilising well within the narrow ranges established over the past fortnight.

● South Korea plans to scrap its 10 per cent ceiling on individual stock holdings in listed companies from January 1997, Reuter reports.

The finance ministry said the rule change would not affect the limit on foreigners, who are restricted from holding more than 10 per cent of any listed stock. The ministry had earlier proposed removing the ceiling from next July.

Algeria faces dilemma over $26bn foreign borrowings

Algeria's economic reforms, pledged by Mr Redha Malek when he became prime minister four months ago, began to take shape this week. After preliminary talks with the IMF, Mr Malek said his government would seek a multilateral refinancing of Algeria's foreign borrowings, which total $26bn and will this year absorb more than four-fifths of Algeria's foreign currency receipts.

Part of Algeria's debt was refinanced between 1989 and 1991. Its commercial bank debt of $1.5bn (70 per cent of which is held by Japanese banks) and its $2.7bn of bilateral debt with Italy was refinanced.

The latter operation, however, met with strong opposition from the French Treasury, whose views carry considerable weight among Algeria's state, private and multilateral creditors.

The relative success of the policy provided Algeria with precious breathing space, as did budget deficit cuts, but the gains were quickly frittered away.

Various governments have re-established the state monopoly on foreign trade and pumped AD308bn ($12.8bn) into unreformed state corporations. The 1 per cent budget surplus notched up for 1991 looks like being turned this year into a deficit equal to 17 per cent of GDP.

The respective advantages of rescheduling or refinancing debt have not changed but Algeria has a weaker hand today. Moreover, the weakness of the oil price – 97 per cent of export receipts are from hydrocarbons – and continued political turmoil have led leading western creditors to doubt Algeria's ability to push through economic reforms.

Francis Ghiles on the difficulties of economic reform

If agreement is reached with the IMF, several factors argue in favour of refinancing. The first is the strong opposition to a rescheduling from Japan, which holds about $4.5bn of medium and long-term Algerian paper, 75 per cent of which is not state-guaranteed.

A senior official of Japan's export credit agency, Jexim, put it bluntly: "The request for debt rescheduling will not only make it impossible for Japan to accept new commitments for a considerable time, but will also make it more difficult for Japanese parties to proceed with the implementation of commercial contracts and disbursement of existing loan contracts."

Japan is involved in a major co-financing with the World Bank while Japanese companies are key players in the building of liquid gas and condensate plants for Sonatrach, the state oil company, factories which hold a significant key to Algeria's future export earnings.

Rescheduling would also lead to western export credit organisations suspending, at least for a few months, cover on Algerian loans. Just over half Algerian foreign borrowings are guaranteed by western credit organisations.

France, which favours rescheduling, holds FFr33bn worth of Algerian paper, FFr27bn of which in long and medium-term debt. Its leading banks hold little debt that is not guaranteed by Coface, France's export credit agency.

Were Algeria to reach agreement with the IMF, it could draw on about $1bn made up of an IMF loan and the second tranche of a number of World Bank and EU loans which have been frozen for the past two years. However, this figure is well short of Algeria's external financing needs.

World Bank offers interest rate play

By Antonia Sharpe

The Eurobond market was enlivened yesterday by investor-driven transactions from the World Bank and Eksportfinans, the Norwegian export-financing agency.

INTERNATIONAL BONDS

The World Bank raised DM100m through an issue of five-year notes offering investors a play on German interest rates. The proceeds were believed to have been swapped into floating-rate D-Marks.

Lead manager Morgan Stanley, which has arranged three similar offerings totalling DM425m in the last week, said the notes appealed to investors who believed that German interest rates were set to fall further in the new year.

During the first year, the coupon on the so-called "reset" notes is fixed at 6¾ per cent. At the end of the first year the coupon will be re-calculated with reference to five-year D-Mark swap rates.

Morgan Stanley said the notes were similar in structure to reverse floating-rate notes, except the coupon was only reset once during their life. The notes, which had a fixed re-offer price of 99.45, were not freed to trade yesterday.

Elsewhere, Eksportfinans raised C$200m through an issue of six-year Eurobonds. The proceeds were thought to have been swapped into sub-Libor floating-rate dollars.

Lead manager ScotiaMcLeod said the bonds were designed to satisfy demand for short-dated Canadian dollar paper. They were priced to yield 30 basis points over the 5¾ per cent Canadian Treasury due 1999. When the bonds were freed to trade, the spread remained unchanged.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Grupo Tribasa(a)	100	7.75#	99.40R	Dec.2000	1.00R	+230(7¼%-01)	Lehman Brothers Intl.
Fifth Mexican Accept.Crp(a,b)	60	8.00#	95.50R	Dec.1998	undiscl.	+396(5⅛%-98)	Kidder Peabody Intl.
Fifth Mexican Accept.Crp(a,c)	15	9.00#	95.45R	Dec.1998	undiscl.	+500(5⅛%-98)	Kidder Peabody Intl.
Norchem Leasing	50	8.00#	99.5243R	Dec.1996	1.00R	+462½(4¾-96)	Chemical Investment Bank
D-MARKS							
World Bank‡	100	(d)	99.45R	Jan.1999	0.40R	-	Morgan Stanley Fin.
YEN							
Mitsui & Co.(a)	10bn	2.85	100.25R	Apr.1999	0.40R	-	Sakura Finance Intl.
CANADIAN DOLLARS							
Eksportfinans(a)	200	6.00	99.702R	Dec.1999	0.275R	+30 (5¾%-99)	ScotiaMcLeod

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Short 1st coupon. b) Class A notes of 2-tranche securitised deal. c) Class B notes of 2-tranche securitised deal. d) Coupon: 6.125% for 1st year and 30% - 6 x 5-year DM swap rate (fixing once only, minimum zero) thereafter.

Indian fund to raise a further $150m

By Sara Webb

The Indian Opportunities Fund, a $100m open-ended investment fund which was launched in the summer, plans to raise a further $150m of new money to place in Indian securities and investments.

The decision to more than double the size of the fund reflects the keen interest among international investors in the Indian market, which is seen as one of the more promising emerging markets.

The fund, which is managed by Martin Currie Investment Management (MCIM), was set up in July 1993 and has already invested about 90 per cent of the $100m originally raised in about 80 different holdings.

Mr Joe Scott Plummer, chairman of MCIM, said the new money would be raised using special "C" class shares; once 90 per cent of the new money has been invested, these shares will be converted to ordinary shares (which are the kind that investors currently hold).

Mr Scott Plummer said this would ensure that existing shareholders did not suffer from an dilution effect.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	121.3400	+0.290	6.75	6.75	6.59
Belgium		9.000	03/03	115.9500	-0.130	6.69	6.61	6.80
Canada *		7.500	12/03	105.4000	[illegible]	6.75	6.64	6.78
Denmark		8.000	05/03	112.2060	-0.120	6.24	6.23	6.63
France	BTAN	8.500	05/98	109.7400	+0.080	5.15	6.06	6.08
	OAT	6.750	10/03	106.9400	-0.160	5.78	5.80	5.94
Germany		6.000	09/03	101.9500	+0.120	5.73	5.79	5.81
Italy		9.000	10/03	[illegible]	-0.080	8.71†	8.76	9.15
Japan	No 119	4.800	06/99	111.3590	[illegible]	2.45	2.49	3.00
	No 157	4.500	06/03	109.7920	-0.240	3.16	3.19	3.56
Netherlands		6.500	04/03	105.5000	-0.080	5.72	5.70	5.75
Spain		10.500	10/03	114.0500	-0.050	8.35	8.31	8.48
UK Gilts		9.750	01/98	114-23	+1/32	5.52	5.56	6.12
		8.000	06/03	112-13	+11/32	6.25	6.35	6.57
		9.000	10/08	123-18	+17/32	6.60	6.65	7.02
US Treasury *		5.750	08/03	99-17	-7/32	5.81	5.64	5.67
		6.250	08/23	98-12	-11/32	6.30	6.14	6.22
ECU (French Govt)		8.000	04/03	112.8000	+0.080	6.14	6.15	6.26

London closing, *New York mid-day. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.58	125.36	-0.14	125.62	125.36	9,460	55,201
Mar	129.72	129.50	-0.14	129.92	129.48	127,905	128,865
Jun	129.18	128.96	-0.12	129.18	129.10	216	3,020

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
125	-	-	-	-	0.10	-
126	-	-	-	-	0.16	0.84
127	-	-	-	-	0.26	-
128	-	1.95	-	0.04	0.47	-
129	0.72	1.28	1.58	0.17	0.76	1.52
130	0.20	0.79	-	0.64	1.28	-

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible].

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.76	100.45	-0.25	100.83	100.45	84247	143760
Jun	100.70	100.37	-0.26	100.70	100.40	37	1144

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	0.95	1.26	0.60	0.81
10050	0.68	1.02	0.72	1.15
10100	0.47	0.80	1.02	1.43

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.42	103.17	-0.23	103.46	103.14	3062	10874

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.85	116.63	-0.11	117.08	116.53	30615	71530
Jun	116.75	116.55	-0.11	116.75	116.75	1	163

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11650	1.89	2.89	1.78	2.81
11700	1.64	2.65	2.01	3.07
11750	1.41	2.43	2.28	3.35

Est. vol. total, Calls 663 Puts 508. Previous day's open int., Calls 30222 Puts 31510

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	[illegible]	103.80	-0.15	104.08	103.77	18,829	74,146
Jun	103.62	103.78	-0.03	103.90	103.62	305	2,347

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	120-03	120-05	+0-14	120-09	119-29	1421	7211
Mar	119-05	119-12	+0-14	119-16	119-03	54604	113065
Jun	-	118-21	+0-14	-	-	0	69

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
119	1-40	2-01	1-18	2-23
120	1-07	1-37	1-47	2-59
121	0-47	1-14	2-23	3-36

Est. vol. total, Calls 11689 Puts 8802. Previous day's open int., Calls 60488 Puts 38226

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	121.50	121.24	-0.26	121.50	121.20	872	3,547
Mar	120.86	120.58	-0.26	120.92	120.58	2,671	10,740

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-24	115-26	+0.07	115-28	115-19	11,996	49,297
Mar	114-17	114-19	+0.08	[illegible]	114-11	252,987	253,074
Jun	113-18	113-18	+0.06	113-19	113-11	[illegible]	10,622
Sep	112-15	112-18	+0.02	112-19	112-11	348	[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.35	[illegible]	[illegible]	[illegible]	[illegible]	1213	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thurs Dec 16	Day's change %	Wed Dec 15	Accrued interest	xd adj. ytd		Low coupon yield Dec 16	Low coupon yield Dec 15	Low coupon yield Yr. ago	Medium coupon yield Dec 16	Medium coupon yield Dec 15	Medium coupon yield Yr. ago	High coupon yield Dec 16	High coupon yield Dec 15	High coupon yield Yr. ago
1 Up to 5 years (25)	130.52	+0.05	130.47	1.86	11.03	5 yrs	5.62	5.66	7.26	5.84	5.87	7.59	5.92	5.96	7.63
2 5-15 years (22)	162.27	+0.30	162.10	1.75	12.85	15 yrs	6.38	6.43	8.25	6.51	6.56	8.67	6.72	6.76	8.98
3 Over 15 years (8)	190.29	+0.50	189.26	2.78	11.21	20 yrs	6.49	6.54	8.49	[illegible]	6.59	8.84	6.73	6.77	9.04
4 Irredeemables (6)	226.45	+0.58	225.15	1.69	13.71	Irred.†	6.63	6.67	8.90						
5 All stocks (61)	157.37	+0.26	157.23	1.97	12.10										

Index-linked							Inflation 5% Dec 16	Inflation 5% Dec 15	Inflation 5% Yr. ago	Inflation 10% Dec 16	Inflation 10% Dec 15	Inflation 10% Yr. ago
6 Up to 5 years (2)	[illegible]	+0.02	191.96	1.02	4.28	Up to 5 yrs	1.91	1.91	2.54	1.01	1.01	1.67
7 Over 5 years (11)	191.87	+0.20	191.45	0.86	4.69	Over 5 yrs	2.93	2.94	3.85	2.74	2.75	3.75
8 All stocks (13)	190.77	+0.18	190.57	0.87	4.81							

Debentures and Loans						5 year yield Dec 16	5 year yield Dec 15	5 year yield Yr. ago	15 year yield Dec 16	15 year yield Dec 15	15 year yield Yr. ago	25 year yield Dec 16	25 year yield Dec 15	25 year yield Yr. ago
9 Debs & Loans (65)	151.35	+0.59	150.44	1.89	11.16	7.24	7.33	8.98	7.56	7.62	9.91	7.68	7.74	10.10

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 16	Dec 15	Dec 14	Dec 13	Dec 10	Yr ago	High*	Low*
Govt. Secs. (UK)	106.97	106.69	106.82	106.88	106.52	93.67	106.97	93.28
Fixed Interest	130.49	130.35	130.24	129.98	129.82	108.98	130.49	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 130.49 (16/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 15	Dec 14	Dec 13	Dec 10	Dec 9
Gilt Edged bargains	115.7	92.9	83.8	102.4	109.21
5-day average	100.8	102.0	104.9	109.0	107.5

UK GILTS PRICES

[illegible]		

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on December 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					

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Dividend increased by 15% 'about average for the sector'

Yorks Electricity rises to £74m

By Michael Smith

Yorkshire Electricity provided shareholders with an interim dividend increase of 15 per cent after increasing pre-tax profits from £42.5m to £74m.

The dividend rise was less than that of several regional power companies but Yorkshire said that, unlike them, it was not rebalancing the pay-outs between the two halves.

Mr Malcolm Chatwin, chief executive, said the increase was about average for the sector and consistent with previously stated policies.

The published pre-tax profits showed a 74 per cent rise on turnover of £587.2m (£590.7m). However, unlike other regional companies Yorkshire has not restated its accounts to reflect changes in coal contracts. Taking this into account the underlying growth in profits was said to be 22 per cent.

Earnings per share were 27.8p (14.8p), with underlying growth of 32 per cent. The dividend is 6.9p (6p).

In the half year staff was cut by 329. The company said it was on target to deliver a 550 reduction by the end of year, a fall of 10 per cent.

In the core business operating costs fell by 2 per cent during the half.

Units distributed increased by 1.6 per cent, or 0.6 per cent when adjusted for weather. The company said this "provided evidence of an upturn in the region's economy".

Retail is continuing to benefit from efficiencies following the setting up of a joint venture with East Midlands Electricity. But Mr Chatwin said it made a small loss in the half year and was facing difficult trading conditions.

COMMENT

Once a star of the sector, Yorkshire's sparkle has faded somewhat in the last year. Assuming an annual dividend of 23.2p, the shares are on a prospective yield of about 4.3 per cent, signifying concerns about relatively low dividend cover and the company's progress in cutting costs. That may seem strange for a company that cut more than 300 jobs in the half year, above the average. But some analysts believe its cost base remains higher than most regional electricity companies and that it may be penalised by the regulator in the forthcoming distribution review as a result. The contrary view is that Yorkshire will start to benefit soon from innovative restructuring of its core business into more competitive units. In these results the management showed its value by building the Brigg generating plant to programme and at a saving of about £5m to budget. In the end Yorkshire's steady, "managed growth" approach may pay off but investors may wait until after the review before re-assessing their opinions. The shares are meanwhile worth holding on to.

Trevor Humphries

Malcolm Chatwin, right, and John Tysoe, chairman: dividend decision was in line with previously stated policies

Expanding Bowthorpe seeks £64m

By Tim Burt

Bowthorpe, the international electronic and electrical components group, yesterday announced a £64.4m rights issue to fund the expansion of its instruments and sensors business.

The company hoped the 1-for-8 placement, involving the issue of 20.6m new shares at 320p, would enable it to pursue acquisitions and strengthen a balance sheet depleted recently by the $21m (£14m) purchase of Lear Siegler, the US measurement controls company.

The issue would also offset the $17.2m cash purchase of Kaye Instruments, another US instrument manufacturer.

Although borrowings had increased sharply, the company was expecting pre-tax profits to grow 18 per cent to £50.5m (£42.7m) in the 12 months to December 31.

Of that increase, £4.8m would be due to beneficial currency translations compared with £900,000 last time.

A final dividend of 5.03p (4.57p) would raise the total to 6.91p (6.36p).

Mr Colin McCarthy, financial director, said increased demand in the UK and US had persuaded the company to expand in those markets.

"We'd like to find suitable acquisitions in the UK, but there are more opportunities overseas. The rights issue will help us exploit those," he said.

COMMENT

Bowthorpe, which last made a cash call shortly before the 1987 stock market crash, has a reputation for shrewdly exploiting its buoyant share price to raise capital. So although the issue price of 320p looks attractive against yesterday's close of 373p, analysts suspect the market price might be overvalued. Indeed, a 9p fall on the day suggests some investors felt it was time to take profits. Bowthorpe, however, has not let down investors in the past by making poor acquisitions. Forecast pre-tax profits for next year have been increased to £59.5m, putting the shares on a forward multiple of 20.7 and reflecting market confidence about the group's strategy.

Amber Day in £15.5m fundraising exercise

By Andrew Bolger

Amber Day Holdings, the discount retailer, last night announced a £15.5m fundraising exercise which will see Warburg Pincus, the US investment institution, raise its stake in the group from 17 to 25 per cent.

The latest management team, supported by Warburg Pincus, will use the proceeds to strengthen the group's highly geared balance sheet and eventually double the size of its existing chain of 58 What Everyone Wants stores.

The controversial group, which has suffered from continuing management upheaval, also plans to change its name to WEW Group, which it said "marks a clear separation with the past."

Mr Peter Carr, an experienced retailer who became executive chairman in August, is the group's third chairman in the last 15 months. He will receive an option on 3m shares, subject to achieving profit-related targets over a five-year period. No part of the option can be exercised before 1998, under normal circumstances.

Amber Day said it proposed to raise about £15.5m by issuing 29m new shares by way of a placing and open offer and a subscription. Under the subscription, Warburg Pincus will subscribe for 5.8m new shares (5 per cent) at 58p per share.

Under a placing, the company has placed 23m new ordinary shares with Warburg Pincus and certain sizeable shareholders, together representing an aggregate holding of 52.7 per cent of the company's share capital, and other institutions, at 56p per share, subject to an open offer to qualifying shareholders.

Under the terms of the open offer, qualifying shareholders can subscribe for the new ordinary shares at the same price on a 1-for-5 basis.

The fundraising exercise, change of company name and Mr Carr's options scheme are all subject to shareholders' approval.

H&C shares fall on statement

By Peggy Hollinger

Shares in Harrisons & Crosfield, the plantations, chemicals and commodities company, yesterday fell 4 per cent in a buoyant market as the group sought to rein in expectations for 1993 profits.

Mr Bill Turcan, finance director, said a substantial fall in pig and palm oil prices since the interim results meant that many forecasts may have been too high. He stressed that H&C was still on track for a "useful improvement" in the full year.

The shares closed 9p down at 195p after a trading statement which the company insisted was not a profits warning. It was, said Mr Turcan, an attempt to inform the market as a whole, rather than analysts and institutions individually. This was in line with the best practice guidelines encouraged by the Stock Exchange, he said.

Analysts welcomed the statement and suggested the share price fall might have been unwarranted. Forecasts for pre-tax profits were marked down from about £105m to between £95m and £100m, against £85m last year.

"One hopes other companies will not be put off from making this sort of announcement after what happened to Harrisons & Crosfield," said Mr Andrew Mitchell, investment analyst with Smith New Court.

H&C's statement warned that the decline in pig prices would wipe £6m off profits in the food and agriculture division. The group would seek to allay some of the volatility in pig prices through longer term contracts with retailers. However, that would be difficult to achieve while prices were low.

The plantations division had suffered from lower than expected palm oil prices. This meant that profits would be close to the £12.4m achieved in the first half, instead of about £16m expected by the market.

On a brighter note, H&C said its chemicals division was expected to return profits "significantly ahead" of 1992. Timber was also expected to improve substantially.

Debt and gearing were expected to be unchanged from last year's £250m and 51 per cent respectively.

See Lex

LMS supported by £2m exceptional gains

By Peter Pearse

Profits at London Merchant Securities, the property and investment company, slipped from £10.9m to £10.1m pre-tax in the six months to September 30. The shares eased 2p to 109p.

Under FRS 3 the corresponding figures have been restated to bring extraordinaries above the line: last time profits of £11.3m were declared.

While gross rental income edged ahead to £17.2m (£16.9m), net rental income from investment properties declined to £14.8m (£15m). Lord Rayne, chairman, said that reflected the "full effect of the carrying costs of new developments as yet unlet". Property trading profits grew to £624,000 (£75,000) and operating profits to £13.3m (£12.8m).

Under FRS 3, First Leisure, in which LMS has a 14.6 per cent stake, is now treated as an investment. Therefore the dividend receivable is shown, rather than a share of the leisure group's profits. Within other income down at £4.43m (£6.33m) because of the effect of lower interest rates on cash deposits, income from First Leisure was flat at £596,000.

This time there were exceptional credits of £2.05m (£812,000) from a rise in other investments and the release of a £574,000 provision against investments. Interest payable expanded to £9.5m (£8.8m).

During the period the core businesses were expanded by the acquisition of seven bingo clubs in the Midlands. Lord Rayne said organic growth was continuing.

Earnings per share worked through at 2.31p (2.53p) and the interim dividend is held at 0.8p.

Plysu suffers sharp decrease to £3.41m

By Peggy Hollinger

Plysu, the plastic milk and juice bottle manufacturer, yesterday announced a sharp drop in interim pre-tax profits, from £5.81m to £3.41m, on sales 4 per cent higher at £44m against £42.5m.

The results had been widely expected following the group's profits warning in October and the shares closed 2p higher at 197p.

The interim dividend is maintained at 2p, while earnings fell from 8.4p to 4.8p.

Mr Stephen Nobbs, finance director, said the decline in profits had been due to three main factors: firstly, a significant reduction in milk carton prices as a result of the renegotiation of contracts with customers; secondly, exceptional costs of £1m to increase capacity in the dairy business to secure the contracts; and finally, deepening recession in continental Europe.

The profits picture was also slightly distorted by the comparison of 26 weeks in 1993, against 28 weeks last time. However, it was estimated that the pre-tax figure was still 33 per cent down on a comparable basis.

Mr Nobbs said that trading in continental Europe had proved to be particularly difficult. Sales had been boosted by the inclusion for the full six months of SEP, the Belgian and Dutch business acquired last year, which contributed £15.9m. Turnover, however, was down by 9 per cent when currency and acquisitions gains were excluded.

Mr Nobbs said Plysu was committed to expanding in Europe, and had some acquisitions in sight.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Albion	fin	2.4	Mar 10	1.8	4	3
Archer (AJ)	fin	0.5†	Feb 28	2.2	1	4.4
Bell (AH)	int	1	Feb 14	2.2	-	5.4
Barcom	fin	1.75	Feb 7	1.25	3	1.25
Bradstock	fin	3.95†	Apr 7	3.55	5.5	5.1
Brunner Inv Tst	fin	2.85	Apr 8	2.65	5.25	5
Electra Inv Tst	fin	3.55	Feb 21	3.4	7	6.7
Fairline Boats	fin	6.925	Apr 1	6.925	10.5	10.5
Intercare §	fin	2.8†	Apr 6	2	5.5	2.6
Kleinwort Chart	fin	3.9	Apr 8	3.75	5.15	5
London Merchant	int	0.8	Feb 12	0.8	-	4
M&G	fin	15	Feb 7	11	25	20
MS International	int	1	Feb 11	1	-	2.5
Plysu	int	2	Feb 3	2	-	7
Yorkshire Elect	int	6.9	Mar 29	6	-	[illegible]

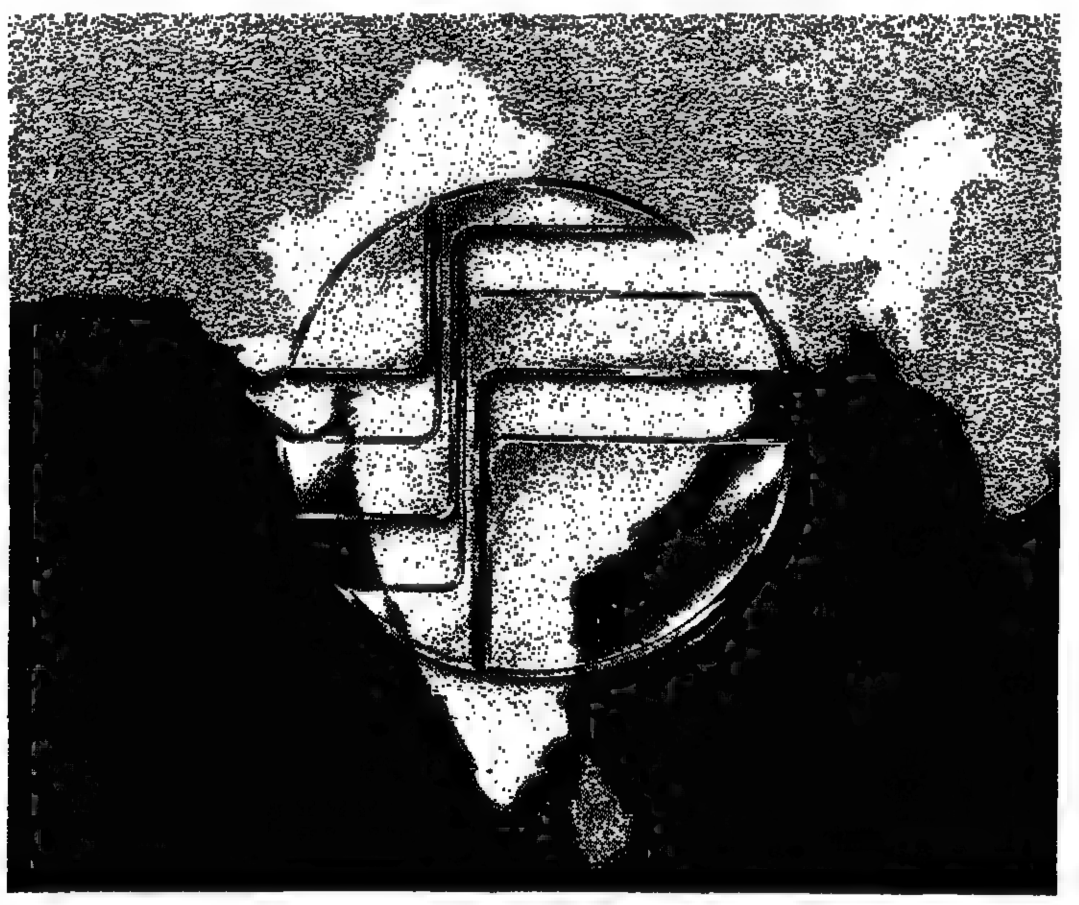
†On increased capital. §USM stock.

Correction

Chipcom Corp

Our November 23 report of the breakdown of the London Stock Exchange's SEAQ automated price display system on November 19 attributed this in good faith to the failure of a Chipcom hub in the Exchange's ethernet network.

We now understand that the problem was caused by the failure of a transceiver not manufactured by Chipcom. We apologise for any embarrassment caused by the error.



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New Issue
Closing
December 16, 1993

All these Bonds having been sold, this advertisement appears as a matter of record only.

Land Mecklenburg-Vorpommern
Federal Republic of Germany

DM 500,000,000
6.15% Schatzanweisung with Put Option of 1993/2023
Ausgabe 18

Issue Price: 102.10%

Interest Rate: 6,15% p.a., payable annually in arrears on June 16. The first interest payment for the period from December 16, 1993 up to and including June 15, 1994 will be due on June 16, 1994.

Repayment: June 16, 2023 at 117.51% of the nominal amount.

Put Option Right: The holders of the Bonds are entitled to call the Bonds for early redemption on the interest payment dates of the years 2008 through 2022 at the following rates: 2008 at 100.00%, 2009 at 100.54%, 2010 at 101.20%, 2011 at 101.97%, 2012 at 102.87%, 2013 at 103.91%, 2014 at 104.70%, 2015 at 105.60%, 2016 at 106.60%, 2017 at 107.71%, 2018 at 108.96%, 2019 at 110.34%, 2020 at 111.87%, 2021 at 113.56%, 2022 at 115.44% of the nominal amount.

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هكذا من الاصل

Electra confident as asset value rises 23%

By Philip Coggan, Personal Finance Editor

Net assets per share at Electra, the UK's largest venture capital investment trust, rose by 23 per cent to 341.3p over the year to September 30, on a fully diluted basis.

More than two thirds of Electra's portfolio is held in unquoted companies in the US and UK, which suffered badly during the recession.

The trust's net asset value per share has yet to regain the 1989 value of 345.7p.

However, Mr Michael Stoddart, chairman, said: "I believe that Electra Investment Trust is positioned to resume the growth that it enjoyed during the 1980s. I look forward to the future with some optimism."


Michael Stoddart: the trust is positioned to resume growth

Mr Hugh Mumford, managing director, said the trust had benefited from a number of factors, including the improvement in smaller company share prices, gains on realisations of holdings and from listings, and from the strength of the dollar.

Electra said it would, for the first time, describe in the annual report and accounts the principles it follows for valuing unquoted holdings.

Doubts over the valuation of its unquoted holdings, caused Electra shares to trade at a discount to net asset values of more than 30 per cent in early 1993, although this has since narrowed.

Based on yesterday's closing price of 302p, up 7p, the shares are trading on a discount of 11.5 per cent.

The trust said its objective was "to produce a valuation of the unlisted portfolio which is both consistent and conservative."

The application of its valuation principles, said Electra, "normally allows for a resonable margin of increase in value at the time of realisation or listing."

Parker Pen, the trusts's largest unlisted investment, was sold at a substantial premium to last year's valuation.

Meanwhile, Sphere Drake became the trust's second largest investment following a listing on the New York Stock Exchange, which more than doubled the previous valuation.

Electra's pre-tax profits were £19.1m (£16.7m). Earnings per share were 7.544p (7.526p).

The proposed final dividend is increased to 3.55p, making a total of 7p (6.7p).

The trust's board is about to undergo a number of changes.

Mr Clive Clague and Sir Christopher Wates will retire on December 31; in addition Mr Colin Black and Mr Brian Peppiatt will retire at the next annual meeting. Three additional non-executive directors will be appointed.

£27m purchase by Manders

By Peter Pearse

Manders, the Wolverhampton-based paints, inks and property group, has acquired the printing inks and graphics supplies business of Croda International for about £26.7m cash.

Manders' shares climbed 14p to 350p.

Mr John Farmer, Manders finance director, said that the acquisition would push borrowings up to £50m. Manders is paying about £16m for the net assets plus goodwill of £10.7m.

Manders said the acquisition would complement its existing coatings and inks business. Mr Farmer said that the purchase would increase turnover in the coatings side from £50m a year to between £80m and £85m.

Most of the increase would derive from continental Europe, especially the Netherlands. The operations bought are also located in the UK, Ireland, Italy, New Zealand and Zimbabwe.

Manders said it would benefit from the spread of the businesses bought because many European customers now wanted to standardise supply relationships across borders.

In 1992, the bought businesses made operating profits of £2m (£1.7m) on sales of £30m (£29.6m). Net operating assets were valued at £12.4m at December 31 1992.

● In September Mr Roger Akers, Manders chief executive, said that the Mander Centre, the group's shopping centre valued in December 1991 at £57.5m, was being marketed in response to "unsolicited approaches".

Mr Farmer said a short list of interested parties had been prepared. Sale details would be put to shareholders "within eight to 10 weeks". He suggested that the group would want to reduce borrowings with part of the proceeds.

Reed Elsevier in Italian acquisition

By Raymond Snoddy

Reed Elsevier, the international publisher, has taken its first move into the legal publishing market in Italy with the purchase of a 40 per cent stake in the Giuffre group which has offices in Milan and Rome.

Reed is buying the stake in Giuffre Editore, a family-owned company, and its sister company Mori which in the year to December 1992 had sales of L102bn (£43.4m).

No price was announced but it is believed the stake cost Reed, which has been expanding its international legal publishing operations, just under £30m.

Giuffre specialises in law, economics and political science. It claims Italian market leadership in legal publishing for the university and professional market. The company has a backlist of about 5,000 titles and 60 journals.

Reed Elsevier's main legal publishers are Butterworths in the UK and the Commonwealth and Editions Techniques, the French legal publisher bought earlier this year in a deal worth £77m.

Restructuring contributes to first loss at AJ Archer

By Andrew Jack

AJ Archer, the listed agency on the Lloyd's of London insurance market, yesterday reported pre-tax losses of £816,000 in the year to September 30.

The deficit, which the company said was the first in its history, compared with a restated profit of £1.16m in the previous 12 months.

Mr Ralph Sharp, group managing director, said he was confident about the future and attributed the losses partly to the restructuring of the company during the year.

Turnover was £8.17m (£7.94m) and losses per share emerged at 1.9p (earnings 1.8p). The final dividend is 0.5p, giving a total of 1p (4.4p).

AJ Archer acquired Kellett (Holdings) in November 1992 and Castle Underwriting Holdings in July this year. The purchases have led to substantial restructuring.

Mr Sharp said there had already been a number of redundancies and staff taking early retirement, and he expected further falls in the payroll.

He also expressed confidence in the level of capacity for the 1994 underwriting year, which he projected would be up 40 per cent on this year to £550m.

He said the agency had already received commitments of more than £100m from the new corporate capital vehicles and was still waiting for final confirmation from Names.

Jacques Vert shares jump 27p

Shares in Jacques Vert, the women's fashion wear supplier, advanced 27p to 179p after an interim profit forecast above expectations.

It is expected that when the company reports figures for the six months to October 30 on January 11 pre-tax profits will be £800,000, after taking a property devaluation charge of about £400,000.

There would also be an additional charge of £962,000 taken directly against reserves.

The company, which underwent a restructuring in the previous financial year after falling into losses, reported a return to profits of £1.03m (£4.65m losses) for the year to April 24.

Hoskins transforms with two purchases

By Catherine Milton

Tiny USM-traded Hoskins Brewery is set to emerge as Halkin Holdings, a tobacco accessories and airport shops supplier with a real ale brewery and three pubs, Mr Howard Hodgson, its new chief executive, said yesterday when announcing interim results.

The company reported pre-tax losses of £830,000 for the six months to September 30, against profits of £50,000 in the comparative period.

Sales fell to £330,000 (£812,000) and there were exceptional charges of £529,000 (£35,000) relating to costs of management changes and reflecting the dimunition in value of some properties.

The company also showed a £283,000 provision to cover the loss on the sale of a loss-making pub.

Losses per share were 14.2p, compared with earnings of 0.87p last time.

Mr Hodgson, a stock market darling in the 1980s, announced the transformation through two linked acquisitions for £19.5m funded by three separate share issues to raise £15m.

Hoskins' new board announced a £9.5m partial cash alternative offer for LGW, which imports and distributes branded goods such as watches and jewellery through shops based at Gatwick Airport.

Two of LGW's directors and another principal shareholder, accounting for 80.6 per cent of the issued capital, have irrevocably undertaken to accept the offer.

The offer is conditional on the brewery's £10m cash acquisition of Ronson, a manufacturer of cigarette lighters and other smokers' requisites, as well as household aerosol products and writing instruments.

The new board plans to fund these acquisitions with a placing, subscription and rights issue which together will raise £15m through the issue of 25m new shares at 68p apiece.

Of the proceeds, £10m will be payable to Ronson and £5.1m will be available to satisfy acceptances in full by LGW shareholders of the partial cash alternative.

The issue price compares with the middle market quotation of 78p per share on December 8 when Hoskins shares were suspended.

On completion of the Ronson deal, Ronson will subscribe for 2.94m new Hoskins shares at 68p which the company has agreed to retain for 12 months.

Peel Hunt have conditionally placed £16.2m shares with institutions at 68p and shareholders will be offered new Hoskins shares at the same price on the basis of a 1-for-1 rights issue.

The placing and rights issue have both been fully underwritten by Guiness Mahon, save for 755,000 shares to be taken up in accordance with undertakings received by the company.

The board also proposed a capital reconstruction for which the company needs court approval and, in common with most of yesterday's proposals, will have to be agreed by shareholders at a special meeting on January 12.

Shares in Hoskins were suspended on December 8 and the Stock Exchange has indicated that dealings will recommence on the USM but will be suspended for a second time on January 11.

Abbeycrest director sells 23.5% holding

Mr Chris Dear, the second largest shareholder in Abbeycrest, the jewellery manufacturer, is selling his 23.5 per cent stake and leaving the board. He will continue to act as a consultant to Gallery, the ring making subsidiary, for at least a year.

Panmure Gordon, Abbeycrest's broker, is placing the holding with institutions.

The shares closed at 79p, down 4p.

Mr Dear joined Abbeycrest when it acquired Gallery for up to £13m in cash and shares in 1989.

Allied-Lyons Brazil venture

Hiram Walker, the spirits and wine sector of Allied-Lyons, is joining forces with Pedro Domecq to form a joint venture sales and marketing company in Brazil.

The new company will be based in Rio de Janeiro and the brand portfolio will include Domecq brandy, Ballantine's and Teacher's Scotch whiskies and a range of other premium brands.

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Application has been made to the London Stock Exchange for the PIBS to be admitted to the Official List. It is expected that listing will become effective and dealings will commence on 17th December, 1993.

Copies of the Offering Circular dated 9th December, 1993 will be available during normal business hours (for collection only) until and including 21st December, 1993 from the Company Announcements Office of the London Stock Exchange, Capel Court Entrance off Bartholomew Lane, London EC2, and until and including 31st December, 1993 from the Listing Sponsor, S.G.Warburg Securities Ltd., 1 Finsbury Avenue, London EC2M 2PA and from Birmingham Midshires Building Society at its principal office at 35-49 Lichfield Street, Wolverhampton WV1 1EL.

17th December, 1993

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December 1, 1993

$420,468,750

Grupo Financiero Serfin

69,000,000 L Shares

Joint Global Coordinators

CS First Boston
Operadora de Bolsa Serfin, S.A. de C.V.

These securities were offered internationally, in the United States and in Mexico.

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International Offering
3,737,500 American Depositary Shares
each representing four L Shares

CS First Boston

Morgan Stanley International

Serfin Securities, Inc.

ABN AMRO Bank N.V. — Deutsche Bank Aktiengesellschaft
ING Bank — Paribas Capital Markets
Swiss Bank Corporation — S.G. Warburg Securities

NEW ISSUE

United States Offering
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each representing four L Shares

CS First Boston

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Serfin Securities, Inc.

Kidder, Peabody & Co. Incorporated — Bear, Stearns & Co. Inc. — Alex. Brown & Sons Incorporated
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Mexican Offering
18,400,000 L Shares

Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa — Operadora de Bolsa Serfin, S.A. de C.V., Casa de Bolsa, Grupo Financiero Serfin

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CAMCO

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Camco International Inc.

Common Stock

2,750,000 Shares

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MORGAN STANLEY INTERNATIONAL

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SIMMONS & COMPANY International

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FINANSHUSET A.S. — KLEINWORT BENSON LIMITED — LAZARD FRÈRES ET CIE — UBS LIMITED

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December 1993

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	New Rate	Old Rate
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Barclays Executive Overdraft	1.04% per month (12.5% p.a.)	1.09% per month (13% p.a.)

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THE FINANCIAL TIMES - PUTTING THE COLOUR BACK INTO ART

New chairman at Intercare

By Andrew Bolger

Intercare Group, the acquisitive manufacturer and supplier of healthcare products, has responded to its flagging share price by raising its dividend and splitting the roles of chairman and chief executive.

The shares yesterday rose 14p to 150p after the Stockport-based group reported a 19 per cent increase in pre-tax profits to £4.31m for the year to October 2.

Mr Peter Cowan, chairman and chief executive, said the group's shares had suffered along with the rest of the healthcare sector, and there was also market concern about small, acquisitive companies that did not conform to the Cadbury recommendations on corporate governance.

Mr Cowan, who has a 10 per cent stake in Intercare, said the board had decided to separate his roles, with his full agreement. He will remain as chief executive, while Mr Robert Shepherd, 62, will become non-executive chairman. Mr Shepherd founded Priestly Footwear in 1956, which was acquired by Pentland Industries in 1972, where he became deputy chairman. He retired from Pentland at the end of 1992.

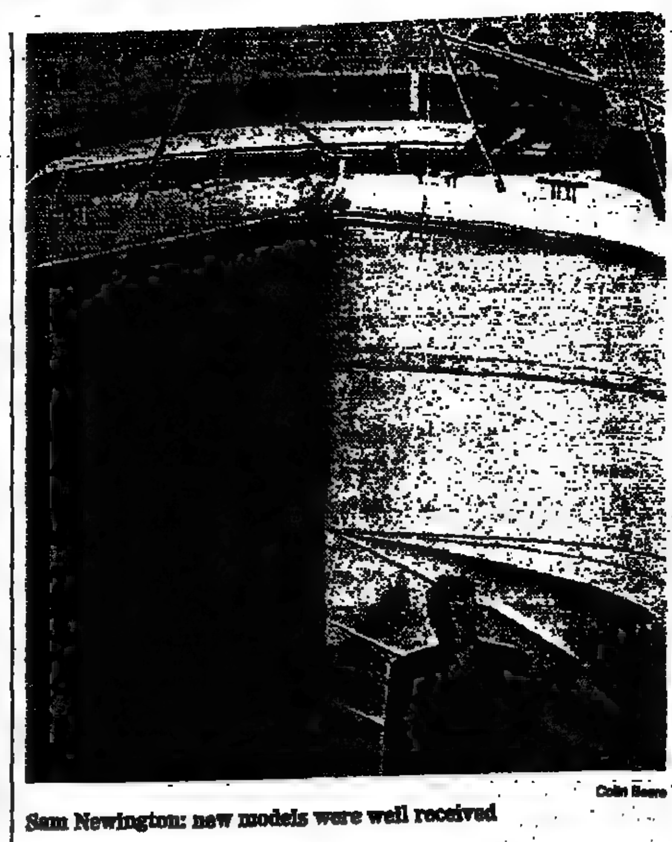
Mr John Padget, 57, who has been a non-executive director of Kwik-Fit Holdings since 1981, will join the board as the fourth non-executive director.

Intercare's sales increased by 34 per cent to £39m and earnings per share rose to 10.5p (9.5p).

Mr Cowan said the strength and diversity of the businesses enabled the board to increase the final dividend to 2.8p, raising the total for the year by 35 per cent to 3.5p (2.6p).

The results included a £320,000 profits contribution from RTH, the Dutch supplier of specialised wheelchairs which the group acquired in May for an initial £1.8m.

Mr Cowan said Intercare would continue its strategy of concentrating on medical devices used by the disabled, the elderly, and the optical markets.



Sam Newington: new models were well received

Fairline powers back to the black

By John [illegible]

Fairline Boats powered back into the black in 1992-93 with overseas sales bolstered by sterling's devaluation in 1992.

Recovery at the Peterborough-based luxury powerboat maker gathered pace through the second half with pre-tax profits for the full year to end-September working through at £558,000. That compared with previous losses of £507,000.

The shares responded with a 16p rise to 298p.

Conditions in all of Fairline's export markets were helped by the devaluation while new boats introduced in the year – Targa 38, Phantom 37 and Squadron 47 – were all "exceptionally" well received.

Turnover improved from £27.7m to £38.7m with about 90 per cent of output going to European countries.

Mr Sam Newington, chairman, was expecting some impact from the deepening recession in Fairline's main markets, pointing out that this had already been experienced in Spain, France and Italy as well as the Scandinavian countries. In Germany, however, sales were holding up quite well, UK sales were showing some improvement while east Asian sales were significantly better.

At the end of November the company held 11 per cent more value of order deposits than 12 months earlier and its total outstanding order book value was ahead 10 per cent at £15m.

Overall, Mr Newington was looking for a better year in 1993-94 with improved margins working through when the new boats were "in full and efficient production."

City analysts were anticipating pre-tax profits in the region of £1m for 1993-94. However, that depended on the outcome of the London and Düsseldorf boat shows in January which would be a key factor of the outcome.

Fairline has a strong balance sheet with more cash in hand than at this time last year after paying off a large part of its development loans for its factories at Weldon and Oundle, Northamptonshire.

A final dividend of 6.925p maintains the total at 10.5p. Earnings of 10.6p compared with previous losses of 7p.

Low activity puts AH Ball in loss

By Gary Evans

Low activity levels in the early part of the current year meant AH Ball Group, the civil engineer, turned in a pre-tax loss of £40,000 for the six months to September 30, against a £407,000 profit last time.

An inflow of orders in June helped the AH Ball subsidiary to raise turnover by 48 per cent to £2.98m in a group total of £4.15m (£2.89m). The subsidiary's margins, however, were reduced from 33.3 per cent to 22.7 per cent and pre-tax profits fell from £360,000 to £233,000, which Mr Tom Austin, chairman, said reflected a lack of volume in the early months.

Setting up costs associated with beginning five new contracts and tighter margins due to increased competition also contributed to the decline. Mr Austin expected an improvement in second-half turnover, but margins would continue to be depressed by poor work mix and competitive factors.

KD Process International incurred a £157,000 loss (£142,000 profit for two months), on sales of £1.16m (£874,000). Mr Austin said that early in the current year a review of this operation was taken, which resulted in lower direct and administrative costs.

However, in view of continuing low sales volumes, a second review in the current quarter has further reduced KD's costs and Mr Austin said he believed that "we have the correct size of organisation to successfully compete within the company's market."

Overall, he expected the group to perform better in the second six months.

With losses per share at 0.2p (3.48p earnings), the company is paying an interim dividend of 1p (2.2p) from reserves.

Sutcliffe Speakman returns to profit

By Reg Vaughan

Sutcliffe Speakman, the activated carbon technology and environmental protection systems group, returned to profit in the six months to September 30 with £361,000 pre-tax.

This compared with a deficit of £560,000 in the comparable six months and with a total loss of £6.56m for the whole of 1992-93 – the first year under the new board – which was arrived at after £5.83m restructuring costs.

The shares rose 5p to 54p.

Mr Frank Buckley, chairman, said the result represented a milestone in the group's recovery.

With the balance sheet ungeared following the July rights issue which eliminated borrowings of £8.09m and the restructuring he said that the group was seeing a strong recovery at the operating level.

Turnover from continuing businesses was £10.3m (£8.91m). The profit was struck after provision of £576,000 for losses on operations to be discontinued. Earnings per share were 0.36p (2.06p losses).

Mr Buckley said that the preference dividend due on December 31 cannot legally be paid because the company will not have sufficient distributable profits. Publication of the report and accounts for 1993-94 will be the earliest opportunity for any resumption of preference dividends.

Mr Buckley said that following progress made on the relocation of the group's operations and the improvement in profits in the current year, particularly in the second half to date, the resumption of ordinary dividends will also be reviewed when the accounts are published.

NPT side helps Barcom to £2m

By Andrew Taylor, Construction Correspondent

Barcom, the plant hire group which supplies the civil engineering and coal mining industries, increased pre-tax profits from £562,000 to £2.06m during the 13 months to September 30.

The company was aided by new acquisitions with NPT, in for its first full year, contributing £1.3m and Hawkins, in for four months, generating £500,000. These two businesses have now been rationalised under the Hawkins Plant Services banner.

Group turnover rose from £11.5m to £31.8m, which included £6.27m from the acquisitions.

Earnings per share rose from 7.4p to 10.9p. A proposed final dividend of 1.75p brings the year's total to 3p (1.25p).

The company remains highly geared with net debt of £19.8m, compared with shareholders funds of £12m. Two thirds of borrowings, however, represent finance leases on plant and equipment. Barcom said that it intends to reduce net debt substantially in the current year.

Chiltern Radio recovers

Chiltern Radio, the independent local radio operator, returned to profits in the second half of the year to September 30.

However, the figure of £79,000, against losses of £136,000, was not sufficient to overcome first half losses leaving a full year deficit of £246,000 pre-tax, against £892,000.

The shares lost 9p yesterday to 109p.

The outcome had been affected by costs incurred in the relicensing process. The company retained eight out of 10 licences and gained a licence for one of the new regional areas which covered one of the other two.

The company said the present year had started well with strong national airtime revenues.

Turnover was £5.76m (£5.27m). After a tax credit of £27,000 (£95,000) losses per share were reduced from 4.6p to 3.4p.

Umeco makes £1.35m purchase

Umeco, the USM-quoted aerospace components distributor and manufacturer of aircraft refuellers, has acquired Tortube, a maker of tubular components, for an aggregate consideration of £1.35m.

The consideration will be satisfied as to £1.05m in cash and the balance by 789,475 new shares issued at 38p each.

For the year to August 31 1993 Tortube made pre-tax profits of £368,000 on turnover of £3.98m. Net assets at August 31 were £1.46m.

Westport £220,000 in red

A low level of activity coupled with price competition continued to affect Westport Group, which reported pre-tax losses of £220,000 for the half year to October 30.

Last time there were profits of £111,000.

The deficit was struck after an exceptional £162,000 for redundancy costs and a loss on property disposal.

Turnover for the USM-quoted exhibition, photographic services and markets specialist fell slightly to £7.84m (£7.98m). That was despite a substantial growth in both turnover and profits from the T&S Lightbox film processing subsidiary and to a lesser extent from Stanco, which supplies stand construction to exhibition organisers.

As part of its plan to expand further in digital electronic photographic imagining services, Westport also announced the acquisition by T&S Lightbox of Printed Picture Company, a subsidiary of Carlton Communications. The consideration, in cash, represents less than 3.5 per cent of Westport's net assets.

Losses per share amounted to 0.18p (0.09p earnings).

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Series Designation	Rate	Interest Amount	Interest Payment Date
DMK Discount Series	6.5625 Pct. P.A.	DMK 33.18 Per DMK 1,000	June 16, 1994

December 16, 1993 — CITIBANK, N.A., Agent

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هكذا من الاصل

Nu-Swift to go private via 398p share offer

By David Blackwell

Nu-Swift, the fire protection and property group, is to be acquired by a private company indirectly owned by Mr Jacques Murray, its chairman.

Euro Fire Security will offer 398p in cash for each Nu-Swift share, valuing the issued share capital at £147.2m.

The price represents a 15 per cent premium over the 345p of the last trade on the USM at the end of June, when news emerged of the plans to take the company private.

Mr Murray is the sole beneficial shareholder in European Fire Protection Holding, owner of Euro Fire Security. Through EFP and other companies he owns 24.4m shares (66.1 per cent) of Nu-Swift, which he has chaired since 1984.

The other main shareholding is held by subsidiaries of ADT, the Bermuda-based security and vehicle auction group headed by Mr Michael Ashcroft. They have 8.4m shares, or 22.8 per cent. Mr Ashcroft is the independent director on Nu-Swift's board.

ADT's subsidiaries are backing the proposed privatisation.

Mr Murray has confirmed that connected shareholders will not use their vote at the extraordinary meeting, still to be convened, on the adoption of the scheme.

Nu-Swift lost its full listing on the Stock Exchange in 1991 because such a small stake was in public hands. Since December 1988 the group has bought about 7m of its own shares, leaving only 11.1 per cent outside the two principal investors.

The board said yesterday that it considered the trading of the shares on the USM was "not currently serving any useful purpose," and imposed a costly administrative and regulatory burden.

The group has changed the nature of its business, disposing of service industries and moving into property.

At the end of June the unaudited balance sheet showed consolidated net assets of £135.7m, equivalent to approximately 367p a share. The bank balances and cash were £91m before finance debt.

Cluff Zimbabwe raises $20m

By Kenneth Gooding, Mining Correspondent

Cluff Resources Zimbabwe, 82.4 per cent owned by the UK-quoted mining company, is raising a 52,000 troy ounce gold loan which should raise about $20m (£13m).

The cash will be used to fund an underground project at the Freda Rebecca mine in Zimbabwe and repay debt.

Interest has been fixed at 5.6 per cent, substantially below the 30 per cent paid by CRZ last year. Repayment, in gold, will be in eight equal instalments over four years beginning in January 1995.

The company said the Freda Rebecca underground development was projected to boost annual gold output, which was a little more than 72,000 ounces last year, to about 100,000 ounces during 1995 and should extend the mine's life to 2000.

It added this was the first gold loan to be approved by the Zimbabwe government and had been granted by the Eastern and Southern African Development Bank.

The UK parent also announced that Cluff Oil (Hong Kong), its 34 per cent owned associate, had accepted an offer from the Chinese government to participate through a joint venture company in a new round of oil exploration licences being offered in the East China Sea.

Cluff will have a 17 per cent interest but funding for the initial two-year exploration programme will be provided by Primeline Properties of Hong Kong.

Cluff has appointed Samuel Montagu as its merchant bank and James Capel as its broker.

PhoneLink loss widens to £0.3m

By Tim Burt

PhoneLink, the USM-quoted computing services company, said yesterday that its development of an "information supermarket" was on course for a launch in 1994.

Announcing a pre-tax loss of £301,000 in the six months to September 30 against a £2,000 deficit last time, the Birkenhead-based company said its performance was in line with market expectations.

It warned that development costs of its unique Tel-Me system, which extracts information from commercial computer databases faster and more economically than existing technology, was about to enter its most expensive stage.

In spite of the large-scale investment necessary to launch the system, PhoneLink said its losses had been contained by increased operating efficiency at its Prenton plant near Liverpool.

Mr Trevor Burke, chief executive and founder of the company, said savings of almost £2m at Prenton resulted in lower than expected operating losses of £484,000, compared with a £7,000 profit last time.

Development costs for Tel-Me were offset by improved turnover in the DataCare business, a bulk database service for large corporations.

DataCare was wholly responsible for a 79 per cent increase in turnover to £586,000. It also generated gross profits of £359,000 (£212,000) before operating expenses associated with Tel-Me.

Losses per share emerged at 0.8p.

PhoneLink's shares, which rose sharply earlier this year after IBM decided to market Tel-Me, closed 5p higher at 325p. They were placed in May at 155p.

Farringford deficit lower

Increased profits from the Farringford Hotel, its only active subsidiary, and lower head office overheads were behind the improvement at Farringford, the former soft drinks manufacturer, in the six months ended August 31 1993.

The company reduced its trading loss from £151,000 to £51,000 on sales of £403,000 (£387,000).

Operating profit of the hotel increased from £65,000 to £103,000 and interest payable fell from £56,000 to £39,000. Head office costs were shaved to £126,000, compared with £208,000.

Losses per share came through lower at 0.21p (0.66p).

Directors said that as the hotel's profitable period fell during the six months under review, they did not expect it to make a profit in the six months to February 28 1994.

República Oriental del Uruguay

Intendencia Municipal de Montevideo

PROYECTO: SANEAMIENTO URBANO DE LA CIUDAD DE MONTEVIDEO - III ETAPA

Licitación Pública Internacional entre Empresas Contratistas de Obras

OBRA A CONSTRUIR: "Saneamiento de la Cuenca del Arroyo Casavalle - 3ª Sección. Obras Parciales I"

La obra comprende:

a) Construción de coleciores unitarios para un sistema separativo mixto de secciones: circular (metrajes aproximados 16m en diámetro ø 500mm, 50m en diámetro ø 400mm, y 619m en ø 250mm), rectangular: (metrajes aproximados 110m en sección tipo 1,20 x 0,80m, y 30m en sección tipo 1,50 x 1,00m) y rectangular (metrajes aproximados: 560m en sección 5,60 x 2,10 y 280m en sección 3,80 x 2,00m), en Bvar. Aparicio Saravia entre las calles Simón del Pino y Enrique Castro.

b) Repavimentación del Bvar. Aparicio Saravia entre las calles mencionadas. (metraje aproximado: 4200m² de pavimento de Hormigón Armado).

Plazo de Ejecución: 39 meses.

El sistema a seguirse en esta Licitación Pública Internacional será el de dos sobres simultaneos: Sobre Nº 1 que contendrá informaciones sobre la capacidad financiera, legal y técnica de las empresas, referidas a experiencia general y específica, personal clave y maquinaria disponible para el proyecto, contratos ejecutados, y en ejecución compromisos y litigios existentes, mediante las cuales serán precalificadas; y Sobre Nº 2, que contendrá la oferta, con los precios de la respectiva cotización.

En el acto de apertura, que tendrá lugar en ceremonia pública en el dia y hora que más adelante se establece, se abrirán los Sobres Nº 1 y se verificará si los proponentes han incluido los documentos *requeridos por las bases. De no contener estos sobres la documentación solicitada, se dejará* constancia de este hecho en el acta que se labrará así como la información que falta o se encuentra incompleta, y se devolverán a los licitantes los Sobres Nº 2 sin abrir. Completados estos procedimientos, se dará por concluida la ceremonia ,permaneciendo cerrados los Sobres Nº 2 de los oferentes que hubiesen presentado toda la información requerida. En base a la información incluida en los Sobres Nº 1 se procederá a la precalificación de los oferentes evaluandose todos los aspectos detallados en los recaudos. Una vez concluida dicha etapa y aprobada ésta por el BID, se llevará a cabo otra ceremonia pública, que tendrá lugar en la fecha, hora y lugar que se notificará oportunamente a todos los proponentes, estimada en 45 días a partir de la presentación de las ofertas. En ella, primero se devolverán, sin abrir, los Sobres Nº 2 de las empresas no precalificadas y posteriormente, se abrirán los Sobres Nº 2 de las firmas precalificadas, dándose lectura al precio de cada oferta dejándose constancia de todo ello en el acta correspondiente. Concluida esta instancia, comenzará la etapa de análisis final de las propuestas.

El costo de los trabajos podría ser abonado con recursos provenientes de un programa, el cual dispondría de fondos originados en un eventual financiamiento del Banco Interamericano de Desarrollo (BID) que viene gestionando la Intendencia Municipal de Montevideo y de la contrapartida local, razón por la cual solo serán elegibles las empresas nacionales de paises miembros del Banco citado.

El Contrato de obra a suscribir con la empresa adjudicataria comprenderá todos los recaudos de la licitación, planos, oferta de los Contratistas y toda otra especificación relativa la licitación; y estará sujeta a las "Normas y Procedimentos para Adquisiciones con Prestamos del BID", pues el Proyecto eventualmente podría ser financiado parcialmente por el mencionado Banco.

Los interesados presenterán sus propuestas (los dos sobres) en la I.M.M., Avda. 18 de Julio y Ejido, Piso 2, ROU, el dia 20 de abril de 1994 a la hora 15:00.

Los recaudos que regirán la licitación podrán adquirirse en la I.M.M., Unidad Ejecutora de Saneamiento, Piso 9 todos los dias habiles desde el 17 de enero de 1994 en horario de 13.30 a 18.30.

Las Empresas podrán recabar información sobre el proyecto en la Unidad Ejecutora los dias y horas antes indicadas.

Las consultas se formularán por escrito a la Unidad Ejecutora de Saneamiento, hasta el dia 18 de marzo de 1994 inclusive.

Las ofertas deberán presentarse personalmente o por persona delegada, no admitiendose envios por correo, en la Unidad Ejecutora de Saneamiento. En esta Unidad se estudiarán las propuestas presentadas por los oferentes, siendo posteriormente aprobadas y adjudicadas por el Sr. Intendente Municipal de Montevideo.

Se exigira la presentación del recibo de compra de los recaudos para la licitación y la constancia de haber depositado la garantia de mantenimiento de propuesta.

El precio de los recaudos es de $ 6.000 (seis mil Pesos Uruguayos).

NEWS DIGEST

Victoria Carpet up at £456,000

Victoria Carpet Holdings, the Worcestershire-based carpet and carpet yarn manufacturer lifted pre-tax profits to £456,000 in the half year to September 30 on sales of £17.1m.

The outcome compared with profits last time of £227,000 on turnover of £16.4m.

In a cautiously optimistic statement, Mr John Bettinson, chairman, said that although margins remained under pressure, the industry had shown signs of recovery in recent weeks.

"There are also signs that export sales are increasing as confidence returns to the international contract market," he said.

Earnings per share emerged at 4.17p (2.03p): "We see no reason at this stage why the year-end dividend should be returned to its previous level," Mr Bettinson said.

Arlen disposes of distributor for £3.6m

Arlen, the light fittings and electrical accessories company, is disposing of its Highland Electronics subsidiary to EAO Holding, a Swiss switch manufacturer, for about £3.6m in cash.

Highland, which distributes electronic switches and components, reported pre-tax losses of £262,000 for the year to March 31 1993.

In view of the impact of the disposal and the reorganisation being carried out within Arlen, it is changing its year end from March 31 to December 31. There will be no announcement of interim results to September 30 1993.

Brunner lifts net asset value by 27%

Brunner Investment Trust reported a net asset value, after deducting prior charges at par, of 266.74p per share at November 30. The figure represented a year-on-year advance of 27 per cent.

Net revenue for the year was £3.9m (£3.83m), for earnings of 6.1p (5.99p). A recommended final dividend of 2.85p lifts the total to 5.25p (5p).

MS recovery continues

MS International, the specialist engineering products manufacturer, continued along its recovery path with profits of £462,000 before tax for the six months to October 30, against £250,000.

Turnover was ahead slightly from £13.8m to £13.9m, including £214,000 from acquisitions.

Earnings per share were 1.1p, compared with 0.6p, while the interim dividend is unchanged at 1p.

Mr Michael Bell, chairman, said there was a considerable level of improvement in the performance of a number of the individual businesses. Some other operations, however, still had some way to go to achieve what could be deemed as "acceptable levels of trading consistency."

Capital & Regional joint venture

Capital and Regional Properties, the USM-quoted property company, has, through Capital & Easter (Argyle), a newly formed associate, entered a joint venture with Morrison Construction Group to buy and redevelop Arnotts department store in Argyle Street, Glasgow. The vendor is the House of Fraser.

Funding has been arranged with Scottish Amicable Life Assurance. It is expected the property will have an investment value of £19m when completed and leased, reflecting a return of 8 per cent.

The store will be remodelled to provide nine retail units which are expected to be available for Christmas 1994.

Interest costs hit Stewart & Wight

Stewart & Wight, the property investment company, reported pre-tax profits down from £182,813 to £170,064 in the six months to end-September.

The company blamed an increase in finance charges, which rose from £1,791 to £6,846 and lower non-rental income of £5,608 (£9,539).

Gross rental income was £201,528 (£203,429). Earnings per share came out at 145.29p, compared with 155.75p.

Albion cautious despite 51% rise

Albion, the Belfast-based tailored men's wear group, lifted pre-tax profits by 51 per cent over the 12 months to September 30.

The upturn, from £773,937 to £1.09m, was achieved on turnover 38 per cent up at £21.6m.

However, the directors said trading remained difficult. "Although a further more modest increase in turnover is anticipated, we must recognise the competitive nature of international sourcing at a time when new low cost sources of supply are becoming increasingly accessible."

Earnings per share worked through at 20.2p (15.5p). A proposed final dividend of 2.4p brings the total to 4p (3p).

Park Food in £9.3m expansion

Park Food Group, which specialises in supplying Christmas hampers via a network of commission-paid agents direct to homes, has paid £9.3m for Handling Solutions, a promotions management company.

The consideration is being satisfied by the issue of new Park shares worth about £800,000 and the balance of £8.5m through the issue of 10-year variable rate guaranteed redeemable loan notes.

Southend Property in £20.75m deals

Southend Property is selling Meridian House, Farringdon Street, London, to Pillar Property Investments for £14.3m. The property is let on a lease expiring in December 2005 at a current annual rent of £1.27m, producing a net initial yield of 8.75 per cent.

In a separate deal, Southend is buying Thorncliffe Park Estate, Sheffield, for about £6.5m from the receivers of South Riding Estates. The income from it is about £750,000 a year, producing an initial yield of 12 per cent.

NEW ISSUE

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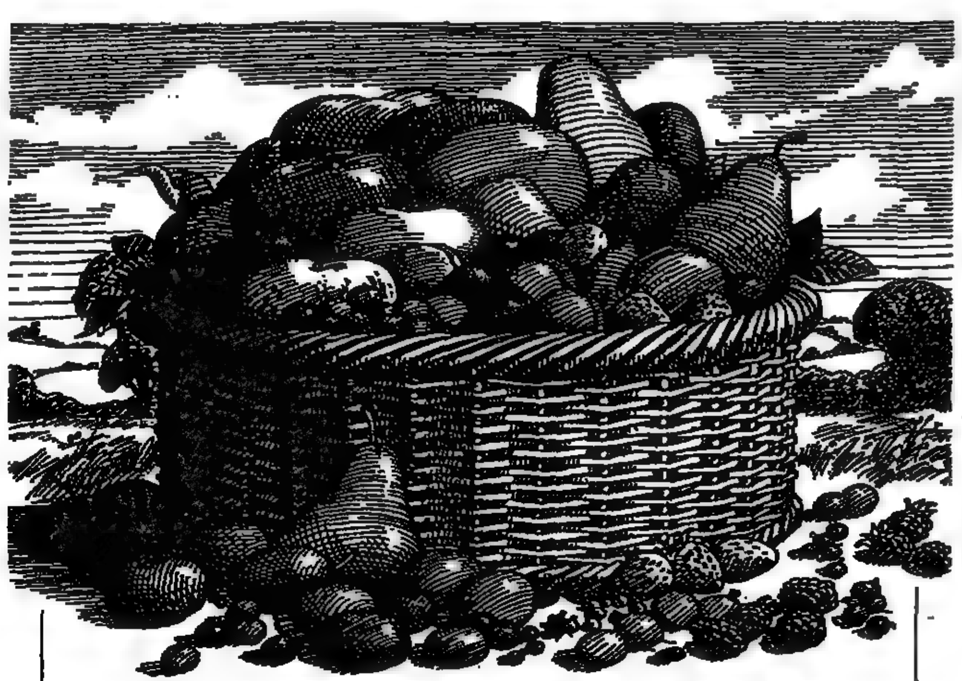

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RESULTS OF THE RIGHTS OFFER TO ORDINARY SHAREHOLDERS

FirstCorp Merchant Bank Limited ("FirstCorp") and Paribas Capital Markets ("Paribas") are authorised to announce the results of the rights offer by ERPM to its ordinary shareholders of 110 602 800 ordinary shares at 500 cents per share ("the Rights Offer")

Subscriptions from ordinary shareholders or their renouncees have been received for a total of 57 735 704 ordinary shares including excess applications and rights taken up by Randgold & Exploration Company Limited to maintain its existing shareholding of 29.5%, representing 52.2% of the 110 602 800 ordinary shares offered in terms of the rights offer by ERPM. Excess applications were received in respect of 67 390 ordinary shares and will be allotted to applicants in full.

The Rights Offer was fully underwritten by Banque Paribas and FirstCorp.

In terms of the underwriting, sub-underwriting agreements and the international offering circular, Paribas has undertaken a placing of R46 million being 9 284 421 ordinary shares. This placing was approximately 4.8 times oversubscribed in relation to Paribas' net underwriting commitment after the take-up of rights by ordinary shareholders and their renouncees. FirstCorp and its sub-underwriters have subscribed for R303 million being 60 618 766 ordinary shares, which they have undertaken to hold for a period of two years subject to the discretion of Paribas as lead underwriter in terms of the underwriting agreement

Share certificates in respect of the ordinary shares allotted will be posted today

Johannesburg
17 December 1993

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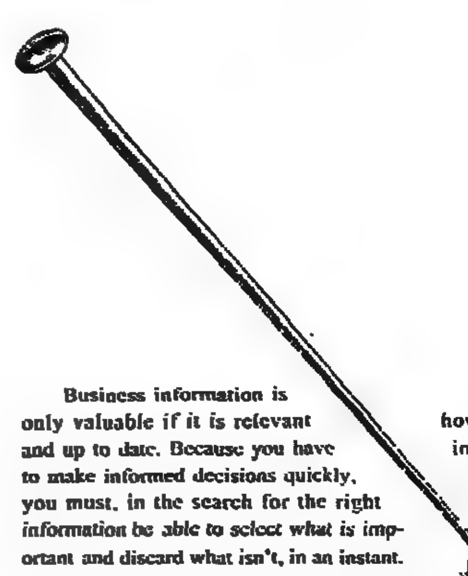

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COMMODITIES AND AGRICULTURE

Cocoa price fall gains momentum

By Deborah Hargreaves

Cocoa prices slipped further yesterday as more pessimistic market trends dampened sentiment. The second position futures contract at the London Commodity Exchange fell £32 a tonne to £988 a tonne and New York prices lost $40 in early trading to $1,193 a tonne for March futures – the lowest point for over a month.

Much of the sell-off in the market was based on technical chart analysis, but it also reflected the peaceful transition of power in the Ivory Coast – the world's biggest producer. The death of president Felix Houphouet-Boigny a couple of weeks ago led traders to fear a power struggle that could affect cocoa deliveries.

In addition, the Ivory Coast has also indicated that it may sell its mid crop of cocoa, which will be harvested in April to June next year, immediately rather than with the main crop, as happened this year. The mid crop is usually between 100,000 and 150,000 tonnes compared with a main crop of 650,000 tonnes. Some of this has been damaged in transit this year and has not been exported.

Traders were also taking profits this week ahead of the publication of the European Union's report – due at the end of the year – on cocoa butter substitutes in chocolate. That report could recommend increased use of substitutes.

Mr Lawrence Eagles, commodity analyst at GNI, the London brokers, said: "I'm a long-term bull towards cocoa, but I think the market has got a bit ahead of itself and attracted a lot of speculative interest". Mr Eagles said cocoa prices could slip further, to about £900 a tonne, but there remained strong buying interest in the market.

Russian disruption bumps up hardwood pulp market

By Bernard Simon in Toronto

A disruption in Russian birch log supplies has contributed to an unexpected jump in world hardwood pulp prices in recent weeks. The rise has raised hopes among producers that the pulp market, battered by weak demand and over-capacity for the past four years, may be on the brink of revival.

Mr Chip Dillon, analyst at Salomon Brothers in New York, said that besides bottlenecks in pulp supplies, "there's clearly been an improvement in paper and pulp ordering in the past month or two".

The price of North American hardwood kraft pulp has climbed to about $400 a tonne, from US$360 a tonne at the end of November. This product was selling at about $500 a tonne a year ago. Hardwoods account for about a third of world pulp output of 30m tonnes a year.

Mr Richard Kellertas, analyst at McLean McCarthy in Montreal, said that softwood pulp producers, whose output totals about 14m tonnes a year, will probably have more difficulty raising prices. Softwood pulp mills still have substantial over-capacity, and the outlook depends heavily on overall business activity early next year in the US and Europe.

The interruption of Russian birch exports has forced several Finnish and Swedish mills to cut production. One industry official estimated that Scandinavian hardwood pulp producers are operating at only 50 to 60 per cent of capacity.

Eucalyptus producers in Spain, Portugal and Brazil have taken advantage of the tighter market to raise their prices. European eucalyptus prices have jumped to about Ecu350 (£275) a tonne, from Ecu290 in mid-November.

Rapeseed futures to be launched in Paris

By Laurie Morse

Matif, the French futures exchange, said it plans to launch rapeseed futures in October, 1994. The contract will allow pricing in Europe's dominant oilseed and will be denominated in D-Marks, with provisions for currency conversions into US dollars or French francs.

The futures contract will apply to rapeseed of any origin with 40 per cent oil content and will have barge delivery points on the Rhine, Moselle, and Main rivers in France and Germany. One contract will represent 50 tonnes of rapeseed.

The exchange developed the contract in conjuction the French oilseeds trade group Onidol, which will conduct a major training programme for market users during 1994.

"The launching of the rapeseed futures contract reflects Matif's determination to diversify its product range in the commodities sector," said Gerard Pfauwadel, Matif's Chairman.

Matif, best known for its financial futures contracts, currently has sugar, coffee, and potato futures in its agricultural repertoire.

"The rapeseed futures market will offer both French and European producers a system of reference prices on the one hand and arbitrage opportunities on the other. It is an up-to-date response to the uncertainties resulting from the new common agricultural policy," said Mr Jean-Claude Sabin, Onidol's chairman.

● Matif was still considering a European wheat futures contract but its creation was not yet justified as there was no volatility in grain prices, said Mr Pfauwadel, reports Reuter from Paris.

The project was linked to the results of the common agricultural policy reform and the effects of the Gatt deal.

Competition comes to eastern German energy

Judy Dempsey on the sale of brown coal fields to an Anglo-American consortium

The Treuhand privatisation agency could not have hoped for a better Christmas present than it secured last week by formally completing the sale of the Mibrag brown coal fields to an Anglo-American energy consortium led by PowerGen of the UK, NRG of Minneapolis, and Morrison Knudsen of Idaho.

By signing the deal the Treuhand, backed by the federal finance ministry, achieved three things: It saved jobs in the Mibrag fields, which straddle the eastern German states of Saxony-Anhalt and Saxony; It set about introducing competition into eastern Germany's highly regulated energy sector; And, as Mr Klaus Schucht, the Treuhand's board member who is determined to prise open the region's energy industry, said, "the sale of Mibrag is a signal for the future of the Laubag mines".

Laubag, three times the size of Mibrag, is being privatised by the Treuhand, which is negotiating the sale to a western German consortium led by Rheinbraun, the brown coal subsidiary of RWE, the country's largest utility. It also includes the PreussenElektra and Bayernwerk utility companies. The consortium had originally intended to merge Laubag with Mibrag, with the aim of running down the latter.

Verbundnetzgas, eastern Germany's regional gas company, yesterday signed a long term natural gas contract with a Norwegian consortium aimed at reducing its dependence on Russian gas, as well as shifting domestic consumption away from brown coal to natural gas. Starting in 1996, the consortium will deliver 4bn cubic metres a year to VNG which supplies about 90 per cent of the gas market in eastern Germany. Officials said that natural gas consumption in eastern Germany, now about 9bn cubic metres a year, was expected to rise to 20bn after 2000 as more towns and cities in the region switched their domestic heating from gas generated from brown coal to natural gas.

At the same time, the consortium and west Germany's five other main utility companies are the majority shareholders in Veag, eastern Germany's largest electricity company, as well as in the east's 15 regional utilities. This ownership structure stems from the electricity contract, or *stromvertrag*, signed in August 1990 between the then East German government and West Germany's utilities.

On one level, the contract represents the federal government's commitment to brown coal in eastern Germany. On another, it has given the western German utilities a monopoly over eastern Germany's electricity network on the understanding that they will modernise the sector. In return – and in spite of the subsequent misgivings of the European Union concerning this monopoly structure – eastern Germany's regional utilities are obliged to buy 70 per cent of their energy from Veag over the next 20 years in order to underwrite investments totalling DM46bn (£18bn).

"If the Rheinbraun consortium buys Laubag, the west German utilities will enjoy a dual monopoly role in eastern Germany: as a monopoly supplier of brown coal to Veag, which is totally dependent on Laubag's coal, and as a monopoly customer for Veag," explained an energy expert from the consortium. He added: "Is the Treuhand really in a position to weaken such a dual monopoly given that it is selling both companies to the same buyers?"

In selling the Veag electricity company, the Treuhand has to agree with Rheinbraun on the price Veag will pay for the consortium's brown coal. "The definitive value of Veag is dependent on the definitive coal price of Laubag. Both are dependent on each other," said a consortium official.

He added that the consortium wanted to set a low price for Laubag's coal so as to boost Veag's earnings, as it would be paying a low price for Laubag's coal deliveries. As a result, however, Laubag would be left with a considerable cost disadvantage in paying its miners.

"This is one of the main issues in the negotiations," said a consortium official. "The government – and the Treuhand – wants the income earned from Laubag's brown coal sales to finance the workers. If the consortium thinks the government will finance/subsidise the difference in order to save those jobs, they are mistaken. Veag and Laubag will have to find an acceptable price to pay for coal which will finance the employment of the miners."

Rheinbraun officials admit that the price of coal is the most contentious issues. "The consortium is being asked by the Treuhand to pay a price for Laubag on the basis of expected income generated from brown coal sales," said a PreussenElektra official. "This is difficult because we don't know by how much energy consumption in eastern Germany will increase or decline over the next decade."

Consumption, already down by over 40 per cent since 1990 because of the collapse of the region's industry, may grow by 1 per cent a year after 1994. But energy experts point out that demand for brown coal may decline further as Laubag and Veag face increasing competition from gas.

Whatever the outlook, the Treuhand is determined not to privatise eastern Germany's electricity sector until it has found a solution for coal. "Just because we are dealing with the same two monopolies does not mean we cannot get a good price for coal and electricity," said a Treuhand energy adviser. "If the negotiations do not make progress, the Treuhand – as the Anglo-American deal showed – would be free to go seek alternative solutions, and go outside Germany," he added.

Oil market ignores output cut plans

By Robert Corzine

Oil markets yesterday shrugged off statements by some producers outside the Organisation of Petroleum Exporting Countries that they might cut oil production to bolster sagging prices.

The price of the benchmark Brent Blend for February was $13.75 in late London trading yesterday, having closed on Wednesday at $13.79.

Agency reports yesterday said Oman had informed customers that their shipments would be cut by 5 per cent from January.

A cut of that size would amount to only 40,000 barrels a day, which would have a negligible impact on the worldwide surplus of crude oil, traders said.

Egypt later said it was considering a similar cut in its exports of around 300,000 b/d.

Opec has blamed a surge in output by independent producers for adding to the crude oil surplus that emerged earlier this year because of chronic over-production by some Opec members. The organisation has appealed to the independent producers to restrain output, but most have rejected the calls. If the Omani cut materialised it would be the first independent exporter of any consequence to go along with Opec.

Market reaction to such cuts is likely to be muted, however, as long as big producers such as the UK and Norway continue to increase output. Figures issued by Arthur Andersen yesterday showed that Norway's October production had jumped by 22 per cent over September to 2.4m b/d. UK production in October surged above the 2m b/d figure to 2.072m b/d. North Sea production is expected to climb steadily into next year.

● Qatargas has agreed the principle terms for a $2bn loan to finance the construction of a liquefaction plant, an integral part of its $6bn liquefied natural gas project, Antonia Sharpe writes. The terms of the loan were not disclosed.

Caribbeans in protest over Gatt banana deal

By Richard Mooney

The British banana market, already in a parlous state, could be further damaged as a result of offers made by European Union in the Uruguay Round of the General Agreement on Tarrifs and Trade. That was the message delivered to UK junior agriculture minister Mr Michael Jack yesterday by representatives of Caribbean banana exporting countries and three importing companies, Fyffes, Geest and Jamaica producers.

The offers would entail rises of 100,000 tonnes in 1994 and 1995 in the 2m-tonnes-a-year tariff quota for so-called "dollar" bananas – produced in Central and South America – set in July this year, they told the minister. They added that the existing quota had already resulted in oversupply and falling prices in the UK market.

The delegation also claimed that the new banana regime meant the EU was failing to meet its legal commitment under the Lomé trade and aid convention that no Caribbean producer should be "in a less favourable situation than in the past" in regard to access to its traditional markets.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1076-77	1097-97.5
Previous	1067-68	1087-88
High/low		1105/1093
AM Official	1081.5-82.5	1103-03.5
Kerb close		1101-02
Open int.	277,676	
Total daily turnover	89,897	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	962-64	986-88
Previous	958-63	980-85
High/low		
AM Official	964-67	988-90
Kerb close		987-88
Open int.	2,816	
Total daily turnover	174	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	469.5-70.5	483-84
Previous	448-49	462-2.5
High/low		494/473
AM Official	476.5-77	489-9.5
Kerb close		486.5-87.5
Open int.	32,565	
Total daily turnover	10,128	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5250-55	5310-15
Previous	5200-10	5265-70
High/low	5248/5246	5380/5280
AM Official	5248-50	5300-05
Kerb close		5310-20
Open int.	49,060	
Total daily turnover	12,234	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4770-80	4820-30
Previous	4695-705	4750-55
High/low	4790/4780	4870/4770
AM Official	4787-88	4835
Kerb close		4820-30
Open int.	18,130	
Total daily turnover	4,461	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	964.5-65.5	983-84
Previous	967.5-8.5	966-67
High/low		995/980
AM Official	966-67	984-85
Kerb close		986-87
Open int.	91,109	
Total daily turnover	16,313	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1722-23	1745-46
Previous	1713-14	1736.5-37
High/low	1715	1746/1734
AM Official	1715-15.5	1737.5-38
Kerb close		1742.5-43
Open int.	214,924	
Total daily turnover	94,041	

■ LME AM Official £/$ rate: 1.4850
LME Closing £/$ rate 1.4885

Spot:1.4885 3 mths:1.4806 6 mths:1.4753 9 mths:1.4713

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Dec	78.80	+0.20	78.95	78.30	1,551	299
Jan	78.85	+0.20	78.95	78.40	1,743	119
Feb	79.10	+0.20	79.20	78.90	1,140	8
Mar	79.40	+0.20	79.60	78.75	43,064	7,627
Apr	79.55	+0.20	78.30	78.30	690	2
May	79.75	+0.20	79.85	79.35	7,321	528
Total					68,967	8,885

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.10-386.50	
Opening	387.40-387.80	
Morning fix	386.50	259.780
Afternoon fix	386.10	259.947
Day's High	387.50-387.90	
Day's Low	385.70-386.10	
Previous close	384.80-385.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.80	6 months	2.81
2 months	2.80	12 months	2.85
3 months	2.80		

Silver Fix	p/troy oz.	US cts equiv.
Spot	338.50	508.00
3 months	347.30	513.00
6 months	351.50	517.25
1 year	359.30	526.55

Gold Coins	$ price	£ equiv.
Krugerrand	389-392	262-65
Maple Leaf	397.55-400.05	-
New Sovereign	90-93	61-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	386.0	-1.4	388.2	385.8	691	101
Jan	386.5	-1.5	-	-	1	-
Feb	387.5	-1.5	389.6	386.5	92,492	30,112
Apr	389.4	-1.5	391.2	388.5	13,118	1,416
Jun	391.3	-1.5	392.6	390.4	21,362	166
Aug	393.3	-1.4	-	-	5,606	46
Total					169,840	32,447

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	388.3	+1.3	-	-	1	-
Jan	389.0	+1.3	392.0	387.7	7,473	2,491
Apr	390.5	+1.3	393.5	389.0	12,899	3,788
Jul	391.5	+1.3	393.5	392.5	1,780	149
Oct	392.8	+1.3	-	-	168	1
Jan	394.1	+1.3	-	-	27	2
Total					22,098	6,431

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	126.40	-0.10	-	-	25	-
Mar	126.40	-0.10	126.75	125.80	3,609	188
Jun	125.40	-0.10	125.50	125.45	706	30
Sep	124.90	-0.10	-	-	82	-
Dec	123.90	-0.10	-	-	73	-
Total					4,499	218

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	501.2	-7.4	508.0	502.0	286	58
Jan	501.6	-7.8	-	-	30	3
Feb	503.0	-7.8	-	-	1	-
Mar	504.7	-7.8	515.0	501.0	89,881	15,580
May	507.9	-7.8	518.5	503.0	8,618	112
Jul	514.0	-6.1	521.5	506.5	10,332	383
Total					110,692	17,429

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	14.50	+0.09	14.55	14.18	84,256	40,051
Feb	14.91	+0.11	14.95	14.60	107,009	40,056
Mar	15.26	+0.11	15.29	14.96	61,554	12,964
Apr	15.56	+0.13	15.56	15.26	25,520	4,797
May	15.81	+0.13	15.84	15.53	23,379	4,532
Jun	16.08	+0.15	16.07	15.75	40,719	3,179
Total					448,663	116,80

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	13.48	-6	13.50	13.32	37,433	6,758
Feb	13.81	+8	13.82	13.54	79,978	17,460
Mar	14.06	+6	14.06	13.80	17,559	1,785
Apr	14.23	+2	14.28	14.09	11,135	483
May	14.52	+6	14.53	14.34	6,044	504
Jun	14.71	+3	14.78	14.65	5,692	671
Total					166,582	29,662

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	45.35	+68	45.40	43.80	56,916	23,700
Feb	46.20	+72	46.30	45.00	42,407	14,974
Mar	46.70	+57	46.70	45.85	28,667	8,048
Apr	46.45	+42	46.45	45.80	21,098	4,246
May	46.10	+27	46.15	45.65	24,060	1,507
Jun	46.10	+27	46.10	45.75	12,592	1,468
Total					210,537	55,382

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	143.75	-	144.00	142.00	34,180	6,616
Feb	145.25	+75	145.25	143.25	19,482	2,972
Mar	146.00	+25	146.25	144.00	15,326	1,531
Apr	146.25	+50	146.25	145.00	9,569	514
May	146.00	-25	146.50	145.25	6,411	565
Jun	147.25	+25	147.25	145.75	8,201	642
Total					108,339	14,475

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	2.072	+.058	2.080	2.000	19,722	13,997
Feb	1.960	+.024	1.965	1.925	18,436	6,210
Mar	1.920	+.022	1.925	1.885	15,254	4,309
Apr	1.910	+.022	1.910	1.875	12,980	2,152
May	1.905	+.012	1.905	1.875	8,250	903
Jun	1.900	+.007	1.900	1.880	7,496	1,025
Total					136,046	35,894

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	40.50	+57	40.70	39.50	42,858	15,497
Feb	42.35	+43	42.35	41.40	34,681	16,029
Mar	43.85	+25	43.90	43.20	26,091	8,041
Apr	47.15	+17	47.15	46.95	19,572	1,584
May	48.00	-3	47.85	47.40	24,634	854
Jun	48.80	+12	48.80	48.40	7,158	277
Total					159,323	42,292

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	97.85	-1.20	98.10	97.70	966	73
Mar	99.60	-0.85	100.00	99.55	2,052	97
May	100.90	-1.00	101.20	100.80	1,542	65
Jun	101.25	-	-	-	122	-
Sep	89.50	-1.25	89.80	89.50	71	8
Nov	90.40	-1.00	91.25	90.80	347	45
Total					5,140	288

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	371/4	+4/6	371/4	367/0	3,660	1,075
Mar	370/6	+4/4	371/0	366/4	158,540	25,750
May	348/2	+6/2	349/0	343/4	33,855	2,830
Jul	333/6	+4/0	334/0	329/6	46,400	6,765
Sep	335/2	+3/2	335/4	334/0	3,345	665
Dec	343/4	+2/4	344/0	342/2	5,210	410
Total					252,130	37,115

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	288/4	+1/0	289/6	287/2	25,340	5,935
Mar	294/4	+1/0	294/6	292/4	765,180	94,365
May	298/6	+1/0	297/0	295/0	332,535	23,970
Jul	298/6	+0/6	299/0	294/2	274,700	16,405
Sep	279/6	+0/4	280/0	278/6	43,915	1,840
Dec	284/4	-	286/0	283/4	152,750	10,056
Total					1,61[illegible]	154,715

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	103.00	-0.50	103.00	103.00	236	12
Mar	104.75	-	-	-	607	
May	106.50	-	-	-	198	
Sep	92.25	-	-	-	40	
Nov	94.80	-	-	-	26	
Jan	96.75	-	-	-	-	
Total					1,107	12

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	682/4	+2/2	683/2	678/0	255,695	68,875
Mar	689/6	+3/0	690/4	684/0	222,500	70,885
May	691/2	+2/6	692/0	686/4	136,905	11,500
Jul	691/6	+3/0	692/2	687/0	126,985	13,420
Aug	686/6	+2/4	687/0	683/4	22,245	1,235
Sep	669/0	+3/0	669/4	665/4	13,530	95
Total					835,285	167,820

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	28.05	+0.40	28.10	27.67	1,079	1,450
Jan	28.05	+0.41	28.13	27.57	21,929	8,426
Mar	28.07	+0.37	28.15	27.63	33,889	6,855
May	27.75	+0.36	27.82	27.32	13,433	2,169
Jul	27.45	+0.38	27.50	27.01	11,159	1,340
Aug	26.85	+0.35	27.00	26.60	3,753	308
Total					89,022	21,276

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	198.5	-1.5	199.2	198.4	2,192	2,253
Jan	198.1	-0.9	199.0	198.0	24,072	7,234
Mar	198.7	-0.6	199.4	198.5	24,873	6,517
May	199.5	-	200.0	199.0	11,049	1,860
Jul	199.8	+0.1	200.4	199.5	10,351	1,824
Aug	199.2	+0.6	199.3	198.7	5,165	440
Total					82,693	20,496

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	120.0	-	-	-	31	-
Apr	98.8	-2.4	98.8	96.0	1,706	140
May	115.2	+1.1	115.5	114.0	490	57
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,227	197

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1231	-	-	-	194	-
Jan	1253	-	-	-	962	-
Feb	1275	-	-	-	66	-
Apr	1295	-	1300	1300	763	20
Jul	1169	-	-	-	225	-
Oct	1333	-	-	-	181	-
Total					2,445	20

	Close	Prev
BFI	1229	1230

WOOL
The first half of the wool selling season in major international markets is coming to an end with prices just holding steady. South Africa closed last week with prices tending dearer. The Australian market indicator edged slightly lower at this week's sales, and yesterday at 471 cents a kg. was 6 cents down compared with a week before. The Christmas recess lasts nearly until mid January and an uncertain market at closing sales will not help to bring out business at satisfactory prices further down the manufacturing line.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	925	-18	950	950	41	10
Mar	988	-32	1018	1024	47,287	9,400
May	994	-32	1023	1027	17,894	6,043
Jul	992	-33	1020	1024	7,763	678
Sep	995	-31	1022	1025	10,664	317
Dec	986	-28	1011	1011	13,943	386
Total					140,497	16,671

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1208	-24	1220	1193	37,498	7,778
May	1237	-26	1247	1225	13,022	792
Jul	1259	-25	1267	1250	9,192	489
Sep	1280	-24	1287	1270	8,455	72
Dec	1293	-25	1300	1292	6,109	72
Mar	1300	-29	1305	1287	7,808	25
Total					91,039	9,228

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 16		
Daily	1000.54	1008.35
Dec 16		
10 day average	1023.64	1027.11

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1261	+6	1270	1258	8,769	1,488
Mar	1268	+3	1278	1265	15,578	1,404
May	1254	+4	1261	1248	5,618	464
Jul	1249	+4	1255	1250	601	18
Sep	1246	+6	1251	1246	744	61
Nov	1240	+6	1246	1246	179	4
Total					31,894	3,439

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	77.15	-1.00	79.00	77.00	124	47
Mar	78.95	-0.65	80.30	78.50	36,994	6,067
May	80.25	-0.70	81.40	80.00	8,446	822
Jul	81.30	-0.85	82.50	81.20	2,318	163
Sep	82.65	-0.60	83.50	82.70	1,579	89
Dec	84.25	-0.60	0	0	1,132	13
Total					81,164	7,191

■ COFFEE (ICO) (US cents/pound)

Dec 15	Price	Prev. day
Comp. daily	73.27	73.22
15 day average	71.54	71.38

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.88	-	-	-	1,177	
May	11.11	-	-	-	643	
Jul	11.31	-	11.29	11.29	2,919	15
Oct	11.11	-	-	-	45	
Total					4,784	15

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	283.00	+0.90	284.00	282.50	7,447	195
May	285.00	+0.60	285.40	285.00	1,819	20
Aug	289.80	-	290.50	290.50	1,535	10
Oct	277.40	-	278.00	277.80	1,682	61
Dec	276.40	-	-	-	79	-
Mar	277.40	-	-	-	57	-
Total					12,620	291

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.66	+0.02	10.76	10.61	60,833	4,626
May	10.85	+0.02	10.94	10.81	21,908	1,333
Jul	10.78	0	10.85	10.74	15,444	368
Oct	10.74	+0.04	10.84	10.74	12,083	498
Mar	10.75	+0.02	10.83	10.75	1,023	207
May	10.77	+0.04	0	0	11	-
Total					101,312	7,026

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	64.68	-0.37	64.88	64.52	25,570	5,347
May	65.82	-0.20	65.95	65.68	8,810	1,912
Jul	66.82	-0.25	66.85	66.65	5,493	853
Oct	65.55	-0.28	65.60	65.40	841	200
Dec	64.50	-0.15	64.60	64.25	5,072	772
Mar	65.40	-0.15	0	0	35	-
Total					46,008	9,084

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	109.85	-1.05	112.90	109.80	7,420	1,794
Mar	112.60	-0.85	115.45	112.60	8,716	1,448
May	115.75	-1.00	118.00	115.50	2,709	591
Jul	118.65	-1.35	120.75	120.00	790	149
Sep	120.85	-1.15	0	0	836	1
Nov	123.60	-1.00	125.00	122.90	748	1
Total					28,655	3,975

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 16	Dec 15	month ago	year ago
1673.9	1670.7	1621.9	1657.1

■ CRB (Base: 4/9/56=100)

Dec 15	Dec 14	month ago	year ago
224.63	224.18	-	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	73.850	0.075	73.900	73.475	2,891	2,418
Feb	73.875	0.200	74.050	73.625	32,378	11,171
Apr	75.875	0.200	76.050	75.675	12,279	2,203
Jun	73.300	0.275	73.575	73.225	13,801	2,807
Aug	72.200	0.200	72.450	72.150	8,288	1,018
Oct	72.250	0.175	72.425	72.200	3,181	108
Total					76,548	19,784

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	42.725	0.600	43.300	42.500	577	557
Feb	45.775	0.575	46.200	45.650	12,804	2,780
Apr	46.575	0.275	46.800	46.000	4,970	801
Jun	52.300	0.300	52.425	51.950	3,334	392
Jul	52.000	0.050	52.100	51.650	693	66
Aug	50.850	-1.025	50.850	50.250	725	42
Total					23,314	4,671

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	53.375	0.375	54.100	53.100	5,700	2,031
Mar	53.550	0.525	54.450	53.450	990	208
May	54.750	0.425	55.600	54.550	1,288	116
Jul	55.650	0.550	56.150	55.250	1,205	44
Aug	53.450	0.825	53.850	53.350	136	19
Total					9,319	2,429

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1075	40	66	16	27
1100	27	53	30	38
1125	17	41	46	60
■ COPPER (Grade A) LME	**Feb**	**May**	**Feb**	**May**
1700	58	89	20	36
1750	28	60	42	66
1800	12	40	76	94
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
1200	98	115	30	61
1250	70	89	52	86
1300	48	69	80	115
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
975	51	73	37	54
1000	39	60	50	66
1050	23	43	84	99
■ BRENT CRUDE IPE	**Jan**	**Feb**	**Jan**	**Feb**
1400	2	33	50	57
1450	3	17	-	-
1500	-	11	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$12.08-2.18w	-0.01
Brent Blend (dated)	$13.71-3.76	-0.015
Brent Blend (Feb)	$13.77-3.79	-0.01
W.T.I. (1pm est)	$14.44-4.46z	-0.02

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$143-145	+2
Gas Oil	$150-151	
Heavy Fuel Oil	$54-56	
Naphtha	$127-129	
Jet fuel	$172-174	+3.5

Petroleum Argus Estimates

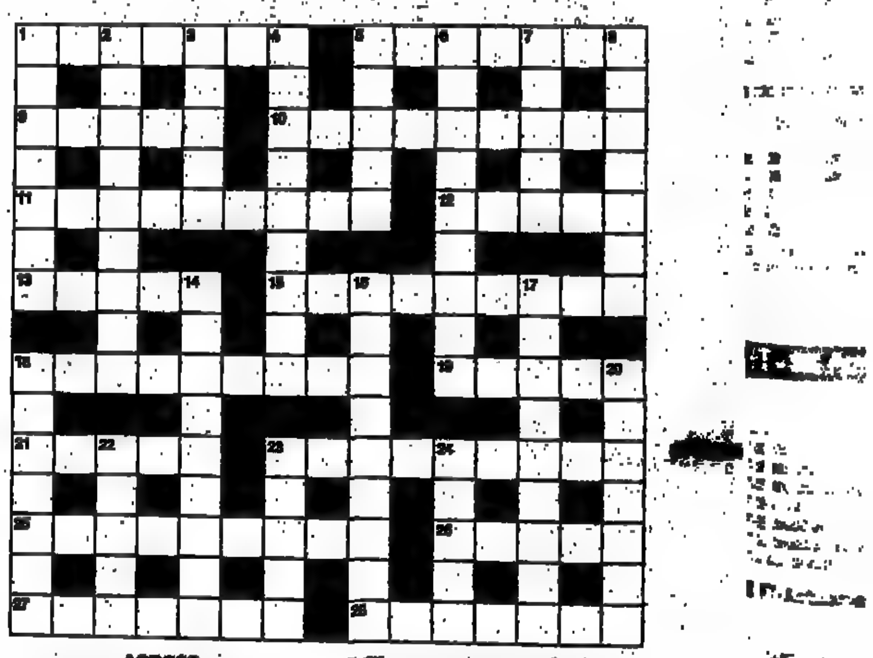
■ OTHER

Gold (per troy oz)♣	$386.30	+1.3
Silver (per troy oz)♣	504.5c	-4
Platinum (per troy oz.)	$388.75	+4.15
Palladium (per troy oz.)	$125.00	-0.35
Copper (US prod.)	84.5c	
Lead (US prod.)	34.5 c	+1.75
Tin (Kuala Lumpur)	11.86r	-0.22
Tin (New York)	219.00c	-5.5
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	120.40p	-4.23*
Sheep (live weight)†♣	91.42p	+0.44*
Pigs (live weight)	76.48p	-0.27*
Lon. day sugar (raw)	$272.50	
Lon. day sugar (wte)	$285.50	-1
Tate & Lyle export	£295.00	
Barley (Eng. feed)	£108.75y	
Maize (US No3 Yellow)	£155.0	
Wheat (US Dark North)	£129.0z	
Rubber (Jan)♥	61.25p	+0.25
Rubber (Feb)♥	61.50p	+0.25
Rubber (KL RSS No1 Jul)	208.5m	-0.5
Coconut Oil (Phil)§	$660.0x	-5
Palm Oil (Malay.)§	$415.0y	+2.5
Copra (Phil)§	$445	
Soyabeans (US)	£200	+1
Cotton 'A' Index	80.15c	0.65
Wooltops (64s Super)	341p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. w Feb. z Jan. v Sep/Oct. † Dec/Jan. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,334 Set by VIXEN



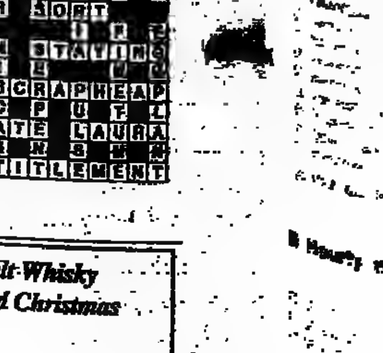
ACROSS

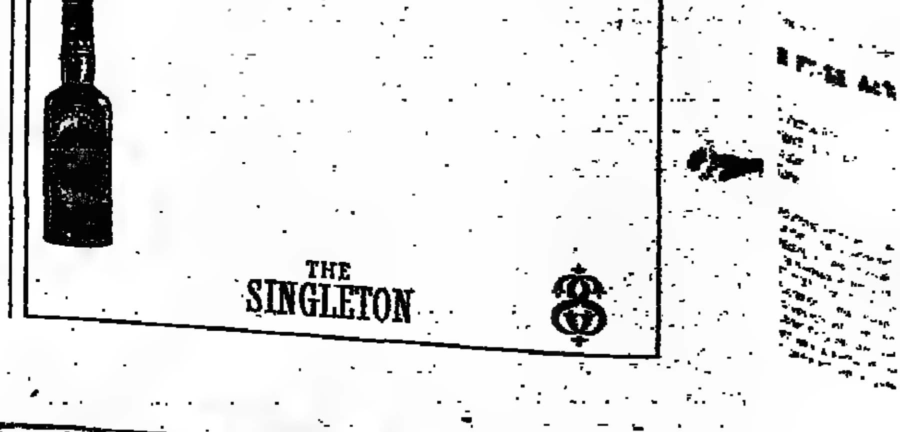
1 Bond, turning mean, left (7)
5 Regain health but take out extra insurance? (7)
9 By itself this appears bluish grey (5)
10 He'll attack a fool and sicken a social worker (9)
11 Carpet a number before church (9)
12 Follow directions and engage in litigation (5)
13 Little European money goes to a composer (5)
15 Talented Englishman's gripping all-in play (9)
18 15 wanting a game? (9)
19 Some men on the board may be cheats (5)
21 To and fro, round and round it goes (5)
23 Order for absurd sports equipment (4-5)
25 At a late hour superior got food reduced (9)
26 Not stirring nevertheless (5)
27 Many men see changes made in estate (7)
28 Came down after the end of August as instructed (7)

DOWN

1 Repeatedly rings and cancels (7)
2 Back up strike – a rise is most important! (9)
3 The main canoe-user (5)
4 An area capable of yielding (9)
5 The person getting out of bed mid-afternoon is about to go back (5)
6 Cheat a Greek character, a salesman (9)
7 Few like imbibing fifty bottles! (5)
8 An evacuation soldiers handle (7)
14 These days a guy splits supporters (9)
16 Revolting individual – ruins eccentric fellow (9)
17 Love getting an allowance after some trouble (9)
18 A fabulous creature, but with no standing (7)
20 Given a back seat (7)
22 Pole having to carry over a thousand (5)
23 Two ways to break in (5)
24 City Arabs may well be involved (5)

Solution 8,333





LONDON STOCK EXCHANGE

MARKET REPORT

New peak as futures continue to lead shares

By Terry Byland,
UK Stock Market Editor

Another volatile trading session in the London stock market yesterday left market indices at new peaks, with interest rate optimism undimmed by the Bundesbank's decision to leave key German rates unchanged. The FT-SE 100 Index closed decisively above the 3,300 mark and volume was high as basket trading between equities and stock index futures increased ahead of the expiry this morning of the December contract on the Footsie.

The market closed just below the day's best, with the FT-SE 100-Share Index 32.4 ahead at 3,311.2, having established a new intraday peak of 3,313.6 earlier. Spreading confidence across the range of the stock market pushed the FT-SE Mid 250 Index up by 42.6 to 3,674.1. Activity among the Footsie Mid 250 stocks indicates the presence of the private investor; these stocks are less affected by futures-related business than the Footsie 100.

Further evidence of economic recovery in the UK came in the form of a larger fall than expected in UK unemployment in November. Expectations of cuts in UK base rates early in the New Year remained solid, with analysts unperturbed by the Bundesbank's unchanged stance at yesterday's meeting. Reductions in interest rates throughout Europe are still confidently expected.

The most significant factor, however, was the pressure from the stock index futures market. At least five programme trades crossed the trading screens as the big futures players covered positions in futures, where both the December and March contracts on the Footsie are now in full cry. Traders are rolling positions over into the March contract.

Those marketmakers lacking positions to arbitrage between the two markets found themselves victims of the programme trades which intensified the squeeze in the blue chip stocks to near unbearable proportions. Seaq volume jumped to 923m shares from Wednesday's 753m and heavy trading losses were suffered by some marketmaking houses.

The market's mood was shown at the opening, with the first official reading on the Footsie showing a gain of 15 points on overnight, as London concentrated on its own futures sector and ignored the overnight setback on Wall Street. From that time on, traders kept their eyes on the futures premium and the net gain on the Footsie hovered around 30 points for most of the session. At the close, London again ignored Wall Street which edged ahead by 7 Dow points in UK hours.

Utility stocks again responded strongly to the higher dividend payments from the sector. Among the interest related issues, consumer stocks did well but stores remained heavily overshadowed by conflicting reports on the progress of the all-important Christmas selling season.

Firmness in sterling in the wake of the UK unemployment figures gave no help to the overseas earning stocks but this was counterbalanced by the presence of most of these blue chip stocks in the Footsie 100 Index list which placed them among the futures-related basket trades.

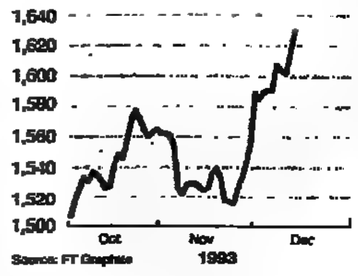
Some traders began to ask yesterday whether the London market was becoming overbought. The futures settlement is likely to dominate the stock market this morning but once this is out of the way, share prices will have little else to lead them until after the Christmas-New Year break.

Account Dealing Dates

*First Dealings: Nov 29	Dec 13	Jan 4
Option Declarations: Dec 9	Dec 30	Jan 13
Last Dealings: Dec 10	Dec 31	Jan 14
Account Day: Dec 20	Jan 10	Jan 24

*New time dealings may take place from two business days earlier.

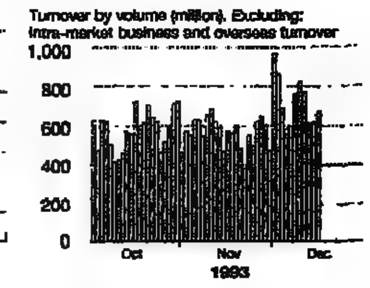
FT-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT SE 100	3311.2	+32.4	FT Ordinary index	2496.0	+27.2
FT-SE Mid 250	3674.1	+42.6	FT-A 500 p/e	21.33	(21.10)
FT-SE-A 350	1649.8	+16.8	FT-SE 100 Fut Dec	3313.0	+28.0
FT-A All-Share	1628.57	+16.11	10 yr Gilt yield	6.24	(6.29)
FT-A All-Share yield	3.49	(3.52)	Yield ratio:	1.93	(1.92)

Best performing sectors

1. Building Materials .... +2.8
2. Food Retailing .... +2.5
3. Electricity .... +2.4
4. Other Industrials .... +2.4
5. Oil & Gas .... +2.0

Worst performing sectors

1. Insurance (Life) .... -2.6
2. Pack,Paper,Printing .... -0.7
3. Electricals .... -0.1
4. Stores 0.0
5. Insurance Brokers .... +0.1

Darty nerves hit Kingfisher

A range of discouraging tales surrounding Kingfisher combined to push the shares sharply lower. Most prominent of the cautionary tales was nervousness ahead of results today from Darty, the French electrical retailing subsidiary bought by Kingfisher for £560m in February this year. These figures were due a month ago but were postponed by Kingfisher for technical reasons, a move which still left some investors nervous. Analysts expect Darty to produce profits in the region of £100m.

There was also talk emanating from Wall Street that one broker was speculating on the likelihood of a leading US home products group entering the UK DIY market. Statistics were said to have been produced showing the higher margins of the UK business. This, together with the fairly parlous state of the UK DIY market, encouraged suggestions that Texas Homecare, owned by Ladbroke and rumoured to be up for sale, was the most likely target. Kingfisher owns the DIY market leader, B&Q.

Finally, there was continuing talk of flat pre-Christmas sales among stores stocks in general. Kingfisher shares ended the session 15 down at 710p. Ladbroke gained 5 at 158p.

Paper group shock

Paper group Arjo Wiggins Appleton surprised the market by announcing the resignation of Mr Gordon Bond, chief executive of its printing and writings division, and the shares fell sharply in nervous reaction. They closed 23 down at 246p on heavy volume of 10m.

Mr Bond joined the company in January and analysts said there had been no indication of any difference of opinion. When the statement came out, specialists were surprised by the lack of information it contained. Many read between the lines to see a conflict between Mr Bond and the French group St Louis, which holds a 40 per cent stake. There was also talk of a clash with Mr Alain Soulas, the French chief executive.

The report from the SIB on the life and pensions industry imnpacted sharply on the life stocks, where Lloyds Abbey Life was the worst affected, finishing 19 off at 412p, closely followed by groups such as Britannic, 9 weaker at 434p, Legal & General, 18 down at 505p, and Prudential, which lost 9 to 345p.

Criticisms of the life companies' selling methods, however, was said to be already reflected in share prices, according to leading insurance analysts. "There will be a bounce in the life stocks from these levels," said one specialist.

The SIB report was said to have prompted a flurry of selling pressure in the likes of Lloyds, 9 off at 630p and TSB, 5 off at 240p, with both banks said to be affected by worries about life and pensions concerns. NatWest, meanwhile, dropped 16 to 581p on turnover of 4.1m after BZW was said to have adopted a more bearish stance on the shares, following similar recent moves by securities houses such as Hoare Govett and Kleinwort Benson.

BP's investment seminar in New York, delivering essentially the same highly positive story as it did to European analysts in London on Wednesday, drew a positive response from the US institutions. The latter, big buyers of BP shares over the past fifteen months, moved in again to push BP up to 348p, before they closed a net 9½ higher at 342½p. Turnover reached a hefty 25m shares, the highest single day's turnover since the beginning of November.

Analysts in London said the US institutions were worried about missing what could be a period of strong outperformance by BP. News of cutbacks in crude output by Oman were said to have had little impact in the market yesterday.

British Gas, meanwhile, rose 5 more to 360p on relatively small turnover of 8m shares, as the market braced itself for imminent news from the President of the Board of Trade on the possible break up of the company and a possible reference to the Monopolies and Mergers Commission.

SmithKline Beecham rose 11 to 392p in the 'A's and 6 to 358p in the Units after Wednesday's late announcement that the company had received preliminary approval in the US for Kytril, its treatment for sickness in cancer patients. The Units which tend to reflect US interest, were heavily traded with one block of 8m shares dealt at 343p making up most of the day's turnover of more than 13m. The 'A's saw more than 12m traded.

Pharmaceuticals group Wellcome was volatile on a mixed reception to its annual meeting. The shares were up 11 and down 7 before ending the day 4 lower at 631p.

The building materials sector of the market was one of the areas said to have been squeezed higher, with marketmakers acutely short of stock, chasing share prices higher to try to level their short positions. The big winners included Wolseley, 31 higher at 864p, BPB, which jumped 9 to 333p, BCI, up 9 at 345p and Hepworth which advanced 11 to 435p. RMC added 15 more to 945p. Redland continued to shrug off the weakness prompted by the loss of the finance director earlier this week, closing 13 better at 985p.

Housebuilders also gained substantial ground, with Berkeley Group, which delivered above-average results earlier this week, closing 9½ higher at 507p

Vodafone shares moved against the overall trend, closing 5 off at 556p, after Goldman Sachs, the US investment bank and one of Vodafone's bigger supporters over recent years, was said to have adopted a more cautious line.

Spirits groups were lifted by the GATT agreement, with Guinness adding 5 to 482p, Highland Distilleries 19 to 356p and Allied Lyons 10 to 635p. Grand Metropolitan, which announced slightly contentious executive changes this week, was again volatile, slipping 8 to 443p.

Among holiday operators, Owners Abroad announced a restructuring involving the loss of 260 jobs. The shares slipped a penny to 79p. Analysts said the changes being wrought by the new management would have little effect until the 1995 season. Airtours unveiled a major rebranding of its booking operations. The shares gained 8 to 478p.

Electrical retailer Dixons again lost ground, with Smith New Court said to have downgraded its profit forecasts. The shares slid 9 to 267p.

Fashion company Jacques Vert announced that interim profits, at around £1.2m, would be better than expected when they are announced in January. The shares rose 27 to 179p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (282)
BRITISH FUNDS (35) AMERICANS (1) BANKS (5) Bk of Scot. Do. Pf., HSBC, Do. HK, Westpac, BREWERS (3) Greenalls, Highland Dist., Whitbread, BLDG MATLS (17) BPB Inds., CRH, Caradon, Do. Pf., Gibbs Dandy A, Hepworth, Haywood Williams, Do. Pf., Kingspan, Marley, Marshalls, Do. Pf., Meyer, RMC, Rugby, Travis Perkins, Wolseley, BUSINESS SERVS (3) BET, Capita, Hunch. Whmp., CHEMS (1) Laporte, CONGLOMERATES (1) Grampian, CONTG & CONSTRCN (11) Ashtead, Barratt Dev., Bellway, Berkeley, EBC, McAlpine (A), Prowting, Sheriff, Taylor Wood., Westbury, Wilson Bowden, ELECTRICALS (1) Sony, ELECTRICITY (14) ELECTRONICS (8) Bowthorpe, Electrocomponents, Eurotherm, Farnell, Phonelink, Rodime, Roxboro, Soundtracs, ENG AERO (2) ML, Smiths Inds., ENG GEN (8) BSS, Bullough, FKI, GBE, IMI, PCT, Syltone, TI, Vickers, FOOD MANUF (2) Acatos & Hutch., Assoc. Brit. Foods, HEALTH & HSEHOLD (3) Amersham Intl., Takare, HOTELS & LEIS (4) Forte, Granada, Kunick Pf., Rank Org., INSCE BROKERS (1) Windsor, INSCE COMPOSITE (1) Delian Lloyds, INSCE LIFE (2) Transatlantic, Do. 8 Nc Pf., INV TRUSTS (144) MEDIA (12) Capital Radio, Central ITV, EMAP, GWR, HTV, Metro Radio, Pearson, Radio Clyde, Sleepy Kids, Telegraph, Trinity Intl., Utd. News., MERCHANT BANKS (1) Rea Bros., MTL & MTL FORMING (3) Ferraris, Glynwed, Simsmetal, MISC (5) Christies Intl., Kershaw (A), LGW, Rothmans, Walker Green., MOTORS (7) BBA Pf., Cowie (T), Henlys, Lex Service, Motor World, TLS Range, Volvo B, OIL & GAS (1) Brit. Gas, OTHER FINCL (3) Cattle's, Tyndall Aust., Do. Opts., OTHER INDLS (7) Coal Invs., Ferromet, Morgan Crucible, Do. Pf., Norcros, RJB, Whitecroft, PACKG, PAPER & PRINTG (3) AG, API, Shelton (M.), PROP (11) STORES (12) Argos, Austin Reed, Carpetright, Lloyds Chem., Do. Pf., MFI, Rosebys, Smith (W.H.) A, Do. B, Storehouse, Stylo, Vendome, TELE NETWORKS (2) Securicor A, Security Services, TEXTS (8) Albion, Dewhirst, Forminster, Hamlet, Jacques Vert, Victoria Carpet, TRANSPORT (6) BAA, CSX, Mersey Docks, P & O Pf., Tibbett & Britten, WATER (9) SOUTH AFRICANS (3) PLANTATIONS (4) MINES (8)

NEW LOWS (28)
BRITISH FUNDS (4) CHEMS (3) Dealey, Holliday, Plysu, CONTG & CONSTRCN (1) Andrews Sykes, ELECTRONICS (1) Redamec, ENG GEN (2) EIS, Wheeson, HEALTH & HSEHOLD (2) Scholl, Whatman, INSCE BROKERS (2) Hogg, Steel Burrill, INSCE COMPOSITE (1) Aon, MEDIA (1) Blenheim Pf., OIL & GAS (3) Evergreen Res., LASMO Pf., Shell Trans. Pf., OTHER INDLS (1) Harvo Pf., PACKG, PAPER & PRINTG (2) Carstad Medmos., Hunterprint, PROP (1) Compco, STORES (1) Pentos, TEXTS (1) Baird (W).

EQUITY FUTURES AND OPTIONS TRADING

Volatile and active dealing in derivatives yesterday pointed to choppy trading at this morning's futures and options expiry, *writes Peter John*.

Dealers said that the affect of so-called "triple witching hour" in the US could also spill over to London.

Open interest, the number of futures contracts awaiting expiry, was still high by the the close of dealing yesterday – around 15,000 December futures will have to be closed out in the contracts remaining two and a half hours according to some estimates.

Under normal circumstances many of the positions would be rolled forward into the March contract. However, the spread between March and December was 30 points at the official close compared to a fair value estimate of around 14.

Consequently, many dealers will prefer to roll out by selling their positions and buying the Footsie or vice versa depending on whether they are long or short. The battle between the longs and shorts will tug at the cash market.

The December future was volatile yesterday, trading four points below cash and 10 above before closing at a premium of 8 points.

It opened at 3,305, reached 3,318 and then closed officially at 3,313 on turnover of 17,530. A further 4,000 contracts were traded in late-dealing. March opened at 3,334 and closed at 3,342 on turnover of 13,968.

FT-SE options are also due to expire and their imminent end boosted total options turnover to 51,787 against 31,079 on Wednesday.

Elsewhere, the US sees expiry of index options and futures as well as equity options and there is futures expiry in the Netherlands, Germany and Switzerland.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3305.0	3313.0	+28.0	3318.0	3298.0	21680	28471
Mar	3334.0	3343.0	+35.0	3347.0	3312.0	18513	51020
Jun	-	3354.0	+35.0	-	-	0	953

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3310) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 3,117 Puts 1,283 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	19,000	55	+1
Abbey National†	[illegible]	470	+5
Albert Fisher	3,400	65	+1
Allied-Lyons†	1,900	635	+10
Anglian Water†	864	600	+15
Argos	616	374	+6
Argyll Group†	6,700	277	+9
Arjo Wiggins†	10,000	226	[illegible]
Assoc. Brit. Foods†	814	553	+6
Ass. Brit. Ports	261	522	+1
BAA†	738	1080	+17

FT - SE Actuaries Share Indices — The UK Series

	Dec. 16	Day's chge%	Dec 15	Dec 14	Dec 13	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3311.2	+1.0	3278.8	3248.4	3254.6	2740.3	3.68	5.28	23.55	97.16	1212.64
FT-SE Mid 250	3674.1	+1.2	3631.5	3614.3	3607.6	2728.6	3.34	5.18	23.66	[illegible]	1331.77
FT-SE Mid 250 ex Inv Trusts	3667.6	+1.2	3625.0	3607.8	3601.8	2741.9	3.45	5.55	22.28	97.74	1325.07
FT-SE-A 350	1649.8	+1.0	1633.0	1619.5	1621.2	1384.0	3.51	5.26	23.57	47.14	[illegible]
FT-SE SmallCap	1791.77	+0.5	1782.47	1781.98	1779.08	–	3.07	3.99	33.54	43.20	1358.36
FT-SE SmallCap ex Inv Trusts	1748.56	+0.4	1741.11	1742.11	1738.81	–	3.22	4.82	30.41	45.49	1327.81
FT-A ALL-SHARE	1628.57	+1.0	1612.46	1599.89	1601.38	1309.31	3.49	5.18	24.00	46.11	1243.02

■ FT-Actuaries All-Share

	Dec 16	Day's chge%	Dec 15	Dec 14	Dec 13	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
1 CAPITAL GOODS(214)	1117.20	+1.5	1100.28	1094.99	1094.54	829.86	3.48	3.91	32.89	32.79	1329.50
2 Building Materials(28)	1379.84	+2.8	1344.49	1334.85	1334.56	837.27	3.27	2.88	51.70	35.60	1618.08
3 Contracting, Construction(28)	1106.65	+1.4	1093.55	1086.68	1082.24	672.57	2.87	1.15	80.00†	25.21	1651.15
4 Electricals(15)	3004.20	-0.1	3007.88	2972.73	2965.74	2331.27	4.60	3.53	34.65	107.78	1251.48
5 Electronics(35)	2743.09	+0.9	2717.33	2710.16	2703.51	2283.21	3.23	6.30	19.03	63.63	1212.35
6 Engineering-Aerospace(7)	466.93	+0.8	464.00	461.04	469.18	285.82	3.10	‡	‡	12.12	1507.81
7 Engineering-General(49)	643.11	+0.2	641.62	638.54	637.03	472.62	3.36	5.80	23.00	16.79	1289.58
8 Metals & Metal Forming(9)	507.71	+1.1	502.33	502.36	507.75	306.45	2.34	0.86	80.00†	8.76	1011.59
[illegible]											

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	7	12
Other Fixed Interest	0	0	15
Commercial, Industrial	601	189	789
Financial	76	35	63
[illegible]			

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

TRADITIONAL OPTIONS

[illegible]

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

هكذا من الأصل

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only, See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8633. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✓) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sun Life Trust Mngmt Ltd – Contd.

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

Rothschild Asset Management

NC Property [illegible] 144.84

J. Rothschild Fund Managers Ltd.

Stewart Ivory & Co Ltd

Closed to new business

Thornton Unit Managers Ltd

OTHER UK UNIT TRUSTS

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Heritage Life Assurance Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
European Smaller	169.7	178.7	(z)	–
Str & East Asia Gwth	389.2	409.7	(z)	–
Inc Growth	319.5	336.4	(z)	–
Japan Smlr Cos	238.0	250.6	(z)	–
Man Growth	261.3	275.1	(z)	–
Gilt	88.0	92.7	(z)	–
Perpetual Funds				
International Growth	167.3	176.2	(z)	–
American Growth	206.1	217.0	(z)	–
Intl Emerging Cos	238.4	251.0	(z)	–
European	192.7	202.9	(z)	–
Managed	195.4	205.7	(z)	–

Royal Life Insurance Ltd
New Hall Place, Liverpool L69 3HS 051-239 3000

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Shield Fd.	943.90	1000.9	—	–
Royal Life (Unit Linked Assurances) Ltd				
Managed Fund	377.50	397.30	+2.40	–
Equity Fund	536.70	564.90	+13.90	–
Property Fund	297.00	312.60	–	–
International Fund	466.70	489.80	+2.80	–
Gilt Fund	382.140	402.20	+0.70	–
Money Fund	215.70	227.00	—	–
United States Fund	249.60	262.60	—	–
Pacific Basin	295.30	310.80	+3.90	–
Royal Life (Unit Linked Pension Fds) Ltd				
Exempt Man Fd Acc	463.10	487.40	+3.10	–
Exempt Equity Fd Acc	609.90	652.40	+6.40	–
Exempt Prop Fd Acc	306.80	322.90	–	–
Exempt Intl Fd Acc	762.00	802.10	+4.70	–
Exempt Gilt Fd Acc	454.90	478.80	+1.30	–
Exempt Money Fd Acc	295.7	311.2	—	–

Royal Liver Assurance
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	78.9	83.1	—	–
Global Equity	80.4	83.6	—	–
High Yield	76.2	80.2	—	–
Int Equity	85.2	89.7	—	–
Fixed Interest	82.4	86.7	—	–
Money	75.7	79.7	—	–
Managed	81.0	85.3	—	–
Pensions				
UK Equity	85.6	90.0	—	–
Global Equity	83.4	88.7	—	–
High Yield	87.7	92.3	—	–

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Pol 1 Dec 10	952.9	952.9	—	–
Inv Pol 2 Dec 10	866.1	913.9	—	–
Inv Pol 3 Dec 10	633.6	677.8	—	–
Inv Pol Cash Ser 7 Dec 10	303.6	319.9	—	–
Inv Pol Cash Ser 3 Dec 10	300.2	316.1	—	–
Mixed Fund	453.3	477.4	[illegible]	–
Equity Fund	534.6	562.9	[illegible]	–
Property Fund	218.3	229.8	[illegible]	–
International Fund	481.2	506.6	[illegible]	–
Fixed Int. Fund	398.6	419.9	[illegible]	–
Index Stk. Fd.	211.1	222.3	[illegible]	–
Cash Fd	221.1	232.9	[illegible]	–
Pens. Mixed Fd. Ord.	606.4	637.3	[illegible]	–
Pens. Equity Fd. Ord.	721.4	759.4	[illegible]	–
Pens. Prop. Fd. Ord.	294.9	310.5	[illegible]	–
Pens. Int. Fd. Ord.	621.8	653.8	[illegible]	–
Pens.FxdInt.Fd.Ord.	595.5	626.0	[illegible]	–
Pens.Ind.Stk.Fd.Ord.	248.7	261.9	[illegible]	–
Pen. Cash Fd. Ord.	337.4	355.3	[illegible]	–
Building Society	097.1	102.3	[illegible]	–
PM Man	2974.3	2974.3	[illegible]	–
PM St Ex	3158.4	3158.8	[illegible]	–
PM St Ex Eq	134.7	134.7	[illegible]	–
PM St Ex Fi	161.6	161.6	[illegible]	–
PM Property	209.6	209.6	[illegible]	–
PM Pens Protection	212.8	212.8	[illegible]	–
PM IL Protection	132.0	132.0	[illegible]	–
PM Cash	384.5	384.5	[illegible]	–

Skandia Life Assurance Co Ltd (x)
Skandia Hse, Portland Terr, Southampton 0703 334411
Skandia Price Line 0800 181326

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Funds				
Skandia Cautious	144.2	151.7	-0.2	–
Skandia Balanced	370.5	389.9	-0.9	–
Skandia Distribution	116.1	122.2	-0.5	–
Skandia Ethical Selection	117.8	124.0	—	–
Skandia Deposit	259.2	272.8	—	–
Abtrust Managed	128.6	135.5	-0.2	–
Baring Managed	139.9	147.2	-0.3	–
CU Managed	239.1	251.6	-0.4	–
Fidelity Managed	201.1	211.6	-0.3	–
Fleming Managed Inv Tst	139.3	146.6	+0.7	–
F & C Investment Trust	180.8	190.3	—	–
Framlington Managed	228.3	240.3	-0.6	–
Gartmore Managed	259.3	272.9	-0.5	–

TSB Life Ltd - Contd.

Target Life Assurance Co Ltd

Teachers' Assurance Company

Templeton Life Assurance Limited

Wesleyan Assurance Society

Windsor Life Assurance Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Citibank - Contd.

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

*Offer price includes 30p prelim. charge

*Offer Price includes 3½% Initial Charge

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

CMI Asset Management - Contd.

Commercial Union Luxembourg SA (u)

41 Ave de la Gare L-1611

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark broadly firmer

The Bundesbank's decision yesterday to leave official interest rates unchanged bolstered the D-Mark against the US dollar and most European currencies, *writes Conner Middelmann*.

At its last meeting of the year, the Bundesbank's central bank council held its 5.75 per cent discount rate and its 6.75 per cent Lombard rate steady. This disappointed many dealers who had hoped for another rate cut before year-end, despite the Bundesbank's recent reminder that it had set fixed-rate securities repurchase agreements until January 5 to quell speculation about a cut in interest rates.

But even before the Bundesbank said it was leaving rates unchanged, the dollar slid on its announcement that German M3 money supply had grown by an annualized 7.2 per cent in the year to November, up from 6.9 per cent in October and well above forecasts for a 6.7 per cent rate. This not only damped hopes that M3 would return to its 4.5-6.5 per cent target this year, but also dashed any lingering speculation of a rate cut at yesterday's council meeting.

The Bundesbank's council reduced the central bank's M3 target range for 1994 to four to six percent. This had been widely expected and had little market impact.

● Disappointment that the Bundesbank did not cut rates sent the March three-month Euromark interest rate contract tumbling by 0.09 point to 94.45.

The French March Pibor contract slid in sympathy, ending at 94.16, down 0.09 point from Wednesday's close. The French franc ended at FFr3.415 to the D-Mark, compared with FFr3.418 on Wednesday.

The Bank of France left interest rates unchanged at its latest open-market operation, where it drained FFr9.2bn of liquidity. Its five-to-10 day rate currently stands at 7 per cent while the intervention rate is 6.2 per cent.

The D-Mark also firmed against the Belgian franc, which fell to BFr20.88, down from BFr20.88. The Italian Lira closed at L987.4 to the D-Mark, down from L987.0 the previous day. Danish krone ended at DKr3.912 to the D-Mark, up from DKr3.923 on Wednesday.

The dollar fell to around DM1.7080, recovered during midday but slipped towards the close on late profit-taking. It closed at DM1.7085, down from DM1.7160 on Wednesday.

It also slipped against the yen on November trade data showing that the US trade gap with Japan reached a seven-year high at $6.1bn. It ended at Y109.75, up from Y109.65 but off an earlier high of Y110.05.

● Although German interest rates remained on hold, Austria and Switzerland lowered theirs.

Early in the day, the Swiss National Bank cut its discount rate by ¼ point to 4.25 per cent, explaining that the cut took account of interest rate developments in the markets. However, it stressed there was only limited room for further interest rate declines.

Immediately after the announcement the Swiss franc fell to SFr0.859 to the D-Mark, but it recouped its losses to close at SFr0.853, up from SFr0.855 at Wednesday's close.

"The market is taking the view that the relative interest-rate differential will move in favour of the Swiss franc," said Mr Adrian Cunningham, senior currency analyst at UBS. He feels the Swiss central bank may shave another 75 basis points off rates as Swiss inflation continues to ease, while he expects the German discount rate to fall by around 175 basis points next year.

The Austrian National Bank announced a 10-basis-point cut in its Gomex open-market intervention rate to 5.70 per cent, effective today. Earlier this week a central bank official indicated it would continue cutting interest rates autonomously if it had room for maneuvre.

Austria has cut its rates everal times in recent months, helped by the recent strength of the schilling, which on Tuesday was was fixed at its highest level this year against the D-Mark at Ats703.05 per 100 marks on Tuesday, but yesterday ended at Ats703.15.

● The sterling money market was slightly more relaxed, helped by the smaller liquidity shortage and waning rate-cut expectations.

The Bank of England initially announced a shortage of £1.5bn but later revised that to £1.1bn. That compares with a £2.65bn shortage on Wednesday. In early operations the Bank purchased bills totalling £488m for resale to the market on January 7 at 5$\frac{3}{16}$ per cent. In further operations it bought £58m of bills, followed by late assistance of around £510m.

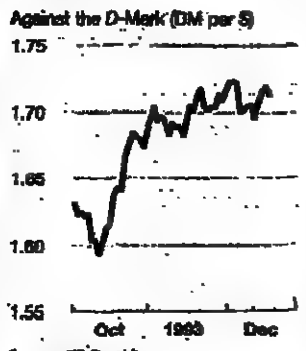
"We've had a terribly tight week, but things should start easing off a little into the Christmas period," said a senior money dealer. He said that the Bank of England had kept the market tight to indicate that there would be no near-term cut in interest rates. "Now, all the speculation for rate cuts this year has gone, which is a reason for the Bank to be a bit less tight."

The March short sterling contract slipped by 0.04 point to 94.80 after sliding by 0.09 point on Wednesday.

Early in the day, the pound firmed briefly to a high of DM2.5478 on the back of stronger than expected decline in UK unemployment, but it slipped back to close at DM2.5450, unchanged from the previous day. Against the dollar it ended at $1.4890, compared with $1.4835 on Wednesday.

Dollar

Against the D-Mark (DM per $)



Source: FT Graphite

Pound in New York

Dec 16	Latest	Prev. close
£ spot	1.4880	1.4785
1 mth	1.4847	1.4750
3 mth	1.4798	1.4703
1 yr	1.4678	1.4587

POUND SPOT FORWARD AGAINST THE POUND

Dec 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.90	-	786 - 796	17.95	17.85	17.9108	-0.7	17.9297	-0.5	-	-	114.2
Belgium	(BFr)	53.15	+0.05	310 - 320	53.30	52.95	53.235	-1.9	53.39	-1.8	53.73	-1.1	113.3
Denmark	(DKr)	9.9575	-0.0275	525 - 625	9.9975	9.9525	9.978	-2.5	10.0055	-1.9	10.072	-1.1	115.7
Finland	(FM)	8.6385	+0.019	380 - 370	8.6375	8.5950	-	-	-	-	-	-	79.1
France	(FFr)	8.6925	-0.005	875 - 975	8.7050	8.6700	8.6999	-1.0	8.7152	-1.0	8.7379	-0.5	108.3
Germany	(DM)	2.5450	-	425 - 475	2.5525	2.5375	2.5466	-0.8	2.5487	-0.6	2.5487	-0.1	123.7
Greece	(Dr)	384.40	[illegible]	410 - 470	385.25	383.75	-	-	-	-	-	-	-
Ireland	(I£)	1.0495	[illegible]	490 - 500	1.0520	1.0485	1.0501	-0.7	1.0515	-0.8	1.0563	-0.7	102.4
Italy	(L)	2512.75	+1.25	225 - 325	2519.00	2504.75	2518.8	-2.8	2531	-2.9	2584.4	-2.9	75.9
Luxembourg	(LFr)	53.15	+0.05	310 - 320	53.30	52.95	53.235	-1.9	53.39	-1.8	53.73	-1.1	113.3
Netherlands	(Fl)	2.8475	-0.0025	425 - 525	2.8575	2.8400	2.8482	-0.3	2.8494	-0.3	2.8475	0.0	119.1
Norway	(NKr)	11.0550	-0.005	500 - 600	11.0725	11.0300	11.0612	-0.7	11.065	-0.4	11.0552	0.0	95.7
Portugal	(Es)	260.25	+1	975 - 075	261.00	258.75	261.055	-3.5	264.095	-5.9	-	-	-
Spain	(Pta)	209.50	+1.3	835 - 985	209.75	208.20	210.135	-3.6	211.28	-3.4	216.665	-3.4	84.8
Sweden	(SKr)	12.4325	-0.0275	875 - 975	12.5475	12.4650	12.517	-2.4	12.548	-1.8	12.6785	-1.5	72.8
Switzerland	(SFr)	2.1725	-0.0025	675 - 775	2.1850	2.1675	2.1689	1.5	2.1656	1.2	2.144	1.3	117.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.6
Ecu	-	1.3185	+0.0005	180 - 190	1.3205	1.3160	1.3198	-1.0	1.3214	-0.9	1.3251	-0.5	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4820	+0.0005	815 - 825	1.4880	1.4770	-	-	-	-	-	-	-
Brazil	(Cr)	412.55	+5.95	250 - 260	414.00	405.50	-	-	-	-	-	-	-
Canada	(C$)	1.9825	+0.0035	820 - 830	1.9830	1.9720	[illegible]	[illegible]	1.9717	1.5	1.9648	0.7	91.0
Mexico	(New Peso)	4.6140	+0.003	125 - 155	4.6220	4.5885	-	-	-	-	-	-	-
USA	($)	1.4890	+0.0055	885 - 895	1.4895	1.4785	1.4867	2.7	1.481	2.2	1.4695	1.3	67.0
Pacific/Middle East/Africa													
Australia	(A$)	2.2030	+0.002	020 - 040	2.2080	2.1875	2.2011	1.1	2.1994	0.7	2.1997	0.1	-
Hong Kong	(HK$)	11.4755	+0.0085	745 - 765	11.5020	11.4225	11.4536	2.3	11.4239	1.8	11.3548	1.1	-
India	(Rs)	46.60	+0.05	[illegible]	46.70	46.40	-	-	-	-	-	-	-
Japan	(Y)	163.50	+0.75	300 - 400	164.00	162.25	163	3.7	162.125	3.4	158.365	3.1	178.6
Malaysia	(M$)	3.7870	+0.0015	[illegible]	3.7955	3.7695	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6460	-0.018	445 - 475	2.6925	2.6380	2.6479	-0.9	2.648	-0.5	2.6528	-0.3	-
Philippines	(Peso)	41.55	-	150 - 160	41.60	41.60	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5860	+0.0115	810 - 910	5.5940	5.5540	-	-	-	-	-	-	-
Singapore	(S$)	2.3685	+0.001	650 - 670	2.3720	2.3580	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0250	+0.004	[illegible]	5.0360	5.0050	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5885	-0.0085	810 - 960	6.5975	6.3590	-	-	-	-	-	-	-
South Korea	(Won)	1203.50	+0.4	340 - 380	1208.25	1198.50	-	-	-	-	-	-	-
Taiwan	(T$)	39.65	-0.1	950 - 970	39.75	39.55	-	-	-	-	-	-	-
Thailand	(Bt)	37.80	-	775 - 785	37.90	37.65	-	-	-	-	-	-	-

†SDR rate for Dec 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	12.0250	-0.035	225 - 275	12.0800	12.0150	12.055	-3.0	12.085	-2.3	12.215	-1.6	+16.21
Belgium	(BFr)	35.70	-0.1	565 - 575	35.85	35.65	[illegible]	-4.7	36.08	-4.0	36.585	-2.5	-0.10
Denmark	(DKr)	6.6875	-0.0425	850 - 900	6.7375	6.6775	6.717	-5.3	6.757	-4.2	6.8675	[illegible]	+16.28
Finland	(FM)	5.8140	+0.0085	135 - 145	5.8180	5.7850	5.8302	-3.4	5.8535	-2.7	5.9135	-1.7	-
France	(FFr)	5.8375	-0.025	[illegible] - 400	5.8750	5.8325	5.856	-3.8	5.8852	-3.3	5.9485	-1.9	-7.60
Germany	(D)	1.7085	-0.0075	080 - 090	1.7185	1.7080	1.7133	-3.4	1.7207	[illegible]	1.735	-1.6	+31.20
Greece	(Dr)	245.20	-0.3	510 - 550	246.00	245.00	249.3	-19.6	257.3	-19.6	292.3	-19.2	-
Ireland	(I£)	1.4180	+0.008	165 - 195	1.4185	1.4075	1.4149	3.5	1.4083	3.0	1.3913	2.0	-
Italy	(L)	1687.50	-5.5	725 - 775	1696.50	1686.75	1695.35	-5.6	1709.2	-5.1	1759.5	-4.3	-37.86
Luxembourg	(LFr)	35.70	-0.1	565 - 575	35.85	35.65	35.84	-4.7	36.06	-4.0	36.585	-2.5	-0.10
Netherlands	(Fl)	1.9130	-0.0085	125 - 135	1.9240	1.9125	1.9175	-2.8	1.924	-2.3	1.9382	-1.2	+21.11
Norway	(NKr)	7.4250	-0.03	225 - 275	7.4600	7.4225	7.4437	-3.0	7.4667	-2.2	7.5287	-1.4	-17.96
Portugal	(Es)	174.75	-0.05	470 - 480	175.45	174.50	176.02	-8.7	178.18	-7.9	186.1	-6.5	-
Spain	(Pta)	140.70	+0.35	065 - 075	141.40	140.50	141.45	-6.4	142.095	[illegible]	147	-4.5	-
Sweden	(SKr)	8.3900	-0.05	875 - 925	8.4825	8.3850	8.424	-4.9	8.47	-3.8	8.6235	-2.8	-30.24
Switzerland	(SFr)	1.4595	-0.006	590 - 600	1.4720	1.4575	1.461	-1.2	1.4629	-0.9	1.4596	0.0	+26.59
UK	(£)	1.4880	+0.0055	885 - 895	1.4895	1.4785	1.4857	2.7	1.481	2.2	1.4695	1.3	-26.21
Ecu	-	1.1285	+0.004	280 - 300	1.1305	1.1235	1.1261	3.7	1.1209	3.0	1.1088	1.8	-
SDR†	-	1.38271	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-0.0005	975 - 985	0.9985	0.9970	-	-	-	-	-	-	-
Brazil	(Cr)	277.75	+3.86	770 - 780	277.80	277.70	-	-	-	-	-	-	-
Canada	(C$)	1.3315	-0.0025	310 - 320	1.3340	1.3305	1.3326	-0.9	1.3339	-0.7	1.34	-0.6	-11.33
Mexico	(New Peso)	3.1060	-	050 - 070	3.1070	3.1040	3.1077	-0.7	3.1118	-0.7	3.126	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-10.00
Pacific/Middle East/Africa													
Australia	(A$)	1.4830	+0.0005	825 - 835	1.4845	1.4820	1.4842	-1.0	1.4874	-1.2	1.4950	-0.8	-46.96
Hong Kong	(HK$)	7.7230	+0.001	245 - 255	7.7285	7.7245	7.7257	-0.3	7.7265	-0.2	7.736	-0.1	-
India	(Rs)	31.3650	-0.005	625 - 675	31.3700	31.3625	31.445	-3.1	31.65	-3.6	-	-	-
Japan	(Y)	109.75	+0.1	870 - 880	110.10	109.45	109.665	0.9	109.43	1.2	107.735	1.8	+118.96
Malaysia	(M$)	2.5495	-0.0005	490 - 500	2.5505	2.5490	2.5537	-2.0	2.563	-2.1	2.6045	-2.2	-
New Zealand	(NZ$)	1.7815	-0.013	805 - 825	1.7865	1.7800	1.7826	-0.8	1.7858	-1.0	1.794	-0.7	-
Philippines	(Peso)	28.00	-	795 - 805	28.30	27.70	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7605	+0.007	570 - 640	3.7650	3.7520	3.7669	-1.9	[illegible]	-1.6	[illegible]	-0.9	-
Singapore	(S$)	1.5930	-0.0005	925 - 935	1.5955	1.5925	1.5926	0.3	1.5916	0.3	-	-	-
S Africa (Com.)	(R)	3.3830	+0.001	820 - 840	3.3850	3.3810	3.3935	-3.7	[illegible]	-4.7	3.533	-4.4	-
S Africa (Fin.)	(R)	4.4350	-0.0075	300 - 400	4.4425	4.4300	4.465	-8.1	4.523	-7.9	-	-	-
South Korea	(Won)	810.15	-0.3	010 - 020	810.70	810.00	813.15	-4.4	816.65	[illegible]	835.15	-3.1	-
Taiwan	(T$)	26.70	-0.1	655 - 675	26.75	26.65	26.765	-2.9	26.905	-3.1	-	-	-
Thailand	(Bt)	25.45	-	540 - 550	25.50	25.35	25.465	-0.7	25.495	-0.7	25.76	-1.2	-

†SDR rate for Dec 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Dec 16. Base average 1980/82=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.73	16.35	4.786	1.974	4728	5.357	20.79	[illegible]	394.2	23.50	4.087	1.881	3.729	2.802	307.6	2.480
Denmark	(DKr)	53.38	10	8.730	2.556	1.054	2524	2.859	11.10	261.3	210.4	12.54	2.181	1.004	1.991	1.495	164.2	1.324
France	(FFr)	61.15	11.46	10	2.928	1.207	2891	3.275	12.71	299.4	241.0	14.37	2.499	1.150	2.280	1.713	188.1	1.516
Germany	(DM)	20.88	3.912	3.415	1	0.412	987.4	1.119	4.342	102.2	82.32	4.906	0.853	0.393	0.779	0.585	64.24	0.518
Ireland	(I£)	50.67	9.492	8.288	2.426	1	2395	2.714	10.53	248.0	199.7	11.91	2.071	0.953	1.889	1.419	155.9	1.256
Italy	(L)	2.115	0.396	0.346	0.101	0.042	100.	0.113	0.440	10.35	8.337	0.497	0.086	0.040	0.079	0.059	6.506	0.052
Netherlands	(Fl)	18.67	3.497	3.053	0.894	0.368	882.7	1	3.881	91.39	73.59	4.387	0.763	0.351	0.696	0.523	57.43	0.463
Norway	(NKr)	48.10	9.011	7.866	2.303	0.949	2274	2.576	10	235.5	189.6	11.30	1.966	0.905	1.794	1.348	148.0	1.193
Portugal	(Es)	20.43	3.827	3.341	0.978	0.403	965.8	1.094	4.247	100.	80.51	4.800	0.835	0.384	0.762	0.572	62.84	0.507
Spain	(Pta)	25.37	4.753	4.149	1.215	0.501	1200	1.359	5.274	124.2	100.	5.962	1.037	0.477	0.946	0.711	78.04	0.629
Sweden	(SKr)	42.55	7.972	6.959	2.038	0.840	2012	2.279	8.847	208.3	167.7	10	1.739	0.801	1.587	1.192	130.9	1.055
Switzerland	(SFr)	24.47	4.584	4.002	1.172	0.483	1157	1.311	5.087	119.8	96.45	5.750	1	0.460	0.913	0.686	75.28	0.607
UK	(£)	53.16	9.957	8.692	2.545	1.049	2513	2.847	11.05	260.2	209.5	12.49	2.172	1	1.982	1.489	163.5	1.318
Canada	(C$)	26.82	5.024	4.386	1.284	0.529	1268	1.436	5.575	131.3	105.7	6.302	1.096	0.505	1	0.751	82.49	0.665
US	($)	35.70	6.687	5.837	1.709	0.704	1688	1.912	7.421	174.7	140.7	8.388	1.459	0.672	1.331	1	109.8	0.885
Japan	(Y)	325.1	60.90	53.16	15.57	6.416	15370	17.41	67.58	1591	1281	76.39	13.28	6.116	12.12	9.107	1000.	8.061
Ecu		40.33	7.555	6.595	1.931	0.796	1907	2.160	8.384	197.4	159.0	9.476	1.648	0.759	1.504	1.130	124.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5783	0.5800	+0.0017	0.5805	0.5778	31,997	127,896
Jun	-	0.5766	-0.0007	0.5766	-	1,054	2,539
Sep	-	0.5737	-0.0007	-	-	20	129

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9130	0.9141	+0.0010	0.9147	0.9114	17,704	75,410
Jun	0.9150	0.9189	+0.0016	0.9186	0.9150	[illegible]	2,170
Sep	-	0.9219	-0.0036	-	-	1	[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6792	0.6812	+0.0023	0.6818	0.6780	16,203	32,828
Jun	-	0.6815	-0.0016	0.6820	-	130	136
Sep	-	0.6793	-0.0016	-	-	3	24

STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4704	[illegible]	-	1.4804	1.4704	25,203	[illegible]
Jun	-	1.4730	-	1.4730	-	452	415
Sep	-	1.4660	-	1.4660	-	1	5
Dec	-	1.4640	-	1.4640	-	3	1

EMS EUROPEAN CURRENCY UNIT RATES

Dec 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.16146	-0.00199	-1.60	4.88	-
Ireland	0.808628	0.795519	-0.000897	-1.50	4.75	10
Germany	1.94964	1.93001	-0.00224	-1.01	4.24	-
Belgium	40.2123	40.3264	+0.021	0.28	2.90	-2
France	6.53883	[illegible]	-0.00824	0.84	2.34	-7
Denmark	7.43679	7.56237	-0.00792	1.69	1.46	-12
Portugal	192.854	197.225	+0.251	2.27	0.91	-15
Spain	154.250	[illegible]	+1.434	3.19	0.00	-22
NON ERM MEMBERS						
Greece	264.513	276.769	+0.029	4.63	-1.28	-
Italy	1793.19	1907.49	+4.59	6.37	-2.89	-
UK	0.786749	0.758337	+0.000397	-3.61	7.08	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
1.400	8.19	8.25	8.49	0.01	0.31	0.74
1.425	5.89	6.25	6.60	0.15	0.69	1.26
1.450	3.83	4.40	4.89	0.60	1.33	2.08
1.475	2.16	2.88	3.46	1.26	2.29	3.06
1.500	1.03	1.81	2.41	[illegible]	[illegible]	4.43
1.525	0.41	1.04	1.57	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

$ LIBOR FT London

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9475	0.19	0.40	0.51	0.14	0.14	0.19
9500	0.08	0.24	0.35	0.28	0.23	0.28
9525	0.03	0.13	0.24	0.48	0.37	0.42

Est. vol. total, Calls 10176 Puts 6336. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	*Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	7	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamsn Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West	7
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5	● Members of British Merchant Banking & Securities Houses Association	
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5	* In administration	
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	*Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

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WORLD STOCK MARKETS

US INDICES

Dow Jones	Dec 15	Dec 14	Dec 13	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3716.82	3742.83	3764.43	3764.43 (13/12)	3241.95 (20/1)	3764.43 (13/12/93)	41.22 (2/7/32)
Home Bonds	110.91	111.00	111.11	111.29 (10/12)	103.49 (11/1)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1764.46	1766.61	1771.95	1771.95 (13/12)	1453.84 (4/1)	1771.95 (13/12/93)	12.32 (8/7/32)
Utilities	224.56	223.90	225.28	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3778.44 (3795.94) Low 3690.82 (3726.70) (Theoretical) Day's high 3743.75 (3769.74) Low 3716.82 (3741.51) (Actual)

Standard and Poors	Dec 15	Dec 14	Dec 13	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	461.84	463.06	465.70	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials ¶	534.04	535.17	538.47	540.25 (18/11)	485.48 (26/4)	540.25 (18/11/93)	3.62 (21/6/32)
Financial	43.67	43.95	44.25	48.40 (28/8)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.43	256.19	257.59	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt Val	458.94	461.88	464.77	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Comp	752.97	751.47	758.72	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Dec 10	Dec 3	Nov 26	Year ago
Dow Jones Ind. Div. Yield	2.67	2.70	2.71	3.12
	Dec 15	Dec 8	Dec 1	Year ago
S & P Ind. Div. yield	2.45	2.39	2.41	2.56
S & P Ind. P/E ratio	27.16	27.41	27.08	26.78

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	463.80	464.00	+1.15	464.20	463.65	29,988	49,159
Mar	463.90	465.20	+1.20	465.50	463.80	64,951	158,957
Jun	465.70	465.70	+0.70	465.70	465.70	310	2,627
Sep	-	467.00	-	467.00	-	5	641

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 16, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	7.3m	837	+8	Towa Bank	4.9m	770	
Sumitomo Mt Mn	6.5m	882	+15	Matsushita E Ind	4.6m	1,520	+50
Hitachi	6.5m	835		Nippon Steel	4.4m	311	+8
Toshiba	6.4m	713	+11	NEC	4.4m	901	+1
Suzuki Motor	5.8m	1,080	+20	Mitsumi Elec	3.8m	2,000	+60

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SPORT, PROPERTY, TRAVEL, ... IN THE FINANCIAL TIMES EVERY SATURDAY.

4 pm close December 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
16	11½	AAR	0.48	3.4	12	338	14¾	14	14¼	-⅛
29⅞	12¾	A L Labs A	0.18	1.4	30	459	13⅞	13⅛	13¼	
67¾	54⅝	AMP	1.60	2.6	21	1158	61	60¼	61	+⅝
72¾	55½	AMR			59	5982	68¼	67⅞	68¼	+1⅝
3⅞	1¾	ARX			14	377	3⅝	3½	3⅝	+⅛
51½	29⅞	ASA	2.00	4.1	32	480	49⅝	48⅞	49¼	
30¾	22⅞	AbbotL	0.68	2.4	17	8993	28⅝	27¾	28⅛	+¼
12⅝	8¼	Abitibi Pr	0.50	4.3	7	28	11¾	11⅝	11¾	+⅛
15⅝	6¼	Acclaim			19	158	12	11¾	11¾	-¼
36	25½	ACE Ltd	0.40	1.4	5	1516	29	28⅝	28⅝	-⅝
12¼	10¾	ACM Gvt In x	1.09	9.1		1556	u12¼	11⅞	12	+⅛
10⅛	9⅛	ACM GvOpp x	1.59	16.4		56	9⅞	9⅝	9¾	+⅛
10⅞	8¾	ACM Gvt Sp x	0.98	9.5		370	10¼	10⅛	10⅛	
12	10½	ACM Gvt Se x	1.09	9.2		280	11⅞	11¾	11⅞	
12¼	9⅝	ACM Man x	2.56	23.3		355	11⅛	10⅞	11	
9⅝	8⅝	ACM Managd x	0.72	8.0		167	9⅛	9	9	
12⅜	7¾	AcmeClv	0.44	4.6	12	28	9⅝	9½	9⅝	
11⅞	6⅞	Acme Elect			41	102	9⅛	8½	9⅛	+⅝
27⅝	18⅞	Acordia	0.44	1.9	13	9	23⅝	23¼	23¼	+⅛
18	10⅞	Acuson			57	711	12¾	12⅜	12⅝	+¼
21¾	17¾	Adams Expr	0.52	2.9	0	371	18⅛	17⅞	17⅞	-⅛
66¼	45½	Ad Micro	3.00	6.3		220	47¾	47¼	47¼	-⅜
32¾	17⅞	AdvMic	3.00	17.0	8	3420	18¼	17⅝	17⅞	-⅝
8⅛	5½	Advest Grp	0.16	2.4	11	46	6⅞	6½	6⅞	
24⅜	14¼	Advo Inc	0.08	0.5	80	354	17⅛	16¾	17	+⅛
55¼	41⅛	Aegon ADR	1.23	2.3	11	105	54⅛	53⅞	54	+⅜
68¾	43⅞	AetnaL	2.76	4.7	26	572	59¼	59¼	59¼	-⅛
34	24¾	Aflac	0.40	1.5	12	1218	27½	26¾	27½	+⅝
22⅛	16¾	Ahmanso	0.88	4.6	8	1167	19⅞	19	19	-⅛
7¾	3⅝	Aileen Inc			6	53	4¼	4⅛	4⅛	
48½	37½	AirPrC	0.92	2.0	26	1653	45⅝	44½	45	-⅜
35¾	18⅛	Airbrn Frt	0.30	0.9	27	123	34⅛	33⅝	33⅝	-⅜
25½	9¾	Airgas Inc			37	503	19⅝	19⅛	19⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FINANCIAL TIMES

NYSE COMPOSITE PRICES

4 pm close December 16

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close December 16

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	17	92	12½	11¾	11¾	
ACC Corp	0.12	60	553	20¼	19½	20	+⅝
Acclaim E		37	16760	23⅞	22¾	23½	
Acme Mills		29	110	18	17¼	17¼	-1¼
Acxiom Cp		34	42	22¼	21¾	22¼	
Adaptech		18	6888	37¼	35½	37⅛	+2¼
ADC Tele		30	3162	36⅛	33	33⅜	[illegible]
Addington		107	340	18½	18	18¼	-¼
Adia Serv	0.16	15	5	23	22⅞	23	
Adobe Sys	0.20	19	3991	21½	20¾	21¼	-⅛
Advance C		9	1281	13¼	13	13¼	+¼
Adv Logic		3	291	3⅝	3¼	3¼	-⅛
Adv Polym		7	810	5¼	d5	5	-⅛
AdvTchLab		48	1076	17	16½	16½	
Advanta	0.20	17	4241	32½	31	31¾	-¾
Affymax		12	448	16	15¼	16	+½
Agency Re		19	123	11⅜	11½	11¾	
AgnicoEa	0.10	152	1039	14¼	13¾	13¾	-½
Akzo ADR	0.78	16	472	47⅜	47	47¼	+¼
Aldus Cp		45	2803	24¼	22½	23¼	+¾
AlexBld	0.88	18	1306	25¾	25¼	25¾	
Allegh &W		15	87	7	6¾	7	
Allen Org	0.48	12	4	31	30	30	-2
Alliance Ph		5	1442	9	8	9	+1
AlldCapII	1.22	11	335	13¾	d13	13	
Alld Cap	1.35	11	162	13⅛	12⅞	13	
Alcette C	0.32	525	6	5¼	5¼	5¼	+¼
Alta Gold	0.06	3	620	[illegible]	[illegible]	[illegible]	[illegible]
Altera Co		38	4890	30¼	28⅝	29⅞	+1½
Am Banker	0.68	9	345	25⅞	24⅞	25¼	[illegible]
Am Cty Bu		25	3	u29	27¾	27¼	-¾
Am Manag		19	1677	19⅛	17⅝	19	+1
Am Med B		21	1262	13⅜	12½	12½	-⅝

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AMEX COMPOSITE PRICES

4 pm close December 16

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FINANCIAL TIMES

AMERICA

Wary traders reverse early rally in Dow

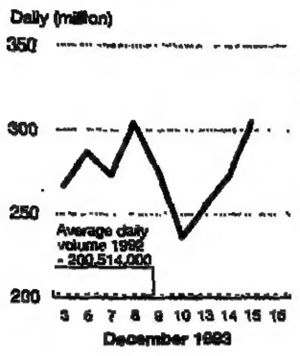
Wall Street

Bargain hunters helped US stocks rally after two big losses, but the early gains were eroded quickly in spite of fresh signs of economic acceleration, *writes Frank McCurty in New York.*

At 1pm, the Dow Jones Industrial Average was 2.23 lower at 3,714.69, while the more broadly based Standard & Poor's 500 showed a slim gain of 0.58 to 462.42. In the secondary markets, the American SE composite was up 0.42 at 460.36, and the Nasdaq composite was 1.58 higher at 754.55. Volume on the NYSE was moderate, with 166m shares traded by 1pm.

NYSE volume

Daily (million)



Stocks opened on a firmer tone, but a further batch of favourable economic news appeared to have less influence on sentiment than did the opportunity for bargain hunting presented by the 48-point decline over the previous two sessions.

The day's stream of data merely filled in details of a now-familiar portrait of the economy. The US merchandise trade deficit eased slightly in October, but solid gains in both imports and exports suggested heightened business activity.

But the market has already factored a strong fourth-quarter into share prices, and now seems more concerned about the prospect of rising short-term interest rates, which could drain funds out of stocks.

Among individual stocks, UAL, parent of United Airlines, dropped \$2¼ to \$146¼ after it announced an agreement under which employees would acquire a majority stake in the carrier. Investors were concerned that the company was giving away too much value to the unions and not adequately compensating existing shareholders for the dilution of their equity.

In the Big Board's most active issue, The Limited was marked down \$⅛ to \$16⅞ after the stock was downgraded by Alex Brown & Sons. Eastman Kodak, which lost nearly 12 per cent of its stock value onWednesday after a profits warning, shed a further \$1¼ to \$54⅞.

Fruit of the Loom's slump also continued, with the stock dropping \$3⅛ to \$26⅜ after announcing that its earnings would fall short of analysts' forecasts.

Canada

Toronto slipped to slightly weaker levels at midday in an active market, the TSE 300 composite index slipping back from a stronger opening to ease 5.06 to 4,220.52.

Volume was 36.5m shares. Declines led advances by 340 to 310 with 356 unchanged. PWA surged close to the top of the most active list, slipping C\$0.13 to C\$1.10 in volume of 1.4m.

SOUTH AFRICA

Gold shares were marked lower in line with an easier bullion price, but industrials moved ahead. The overall index rose 40 to a closing high of 4,634, golds slipped 25 to 2,128 and industrials climbed 34 to 5,175.

EUROPE

Zurich higher after cut in Swiss discount rate

Bourses were relatively subdued, rate cuts or the absence of them doing little to influence share prices, *writes Our Markets Staff.*

ZURICH gave an initially muted response to the 25 basis point cut in the discount rate but it picked up later in the day, led by the chemicals sector. The SMI index added 17.1 to 2,867.7.

Buying of Roche certificates, up SFr50 to SFr6,250, by one small bank triggered demand elsewhere in the sector. Ciba registered rose SFr17 to SFr832.

Ascom added SFr90 to SFr1,290 on news that it planned a joint venture, controlled by Germany's Robert Bosch, into which the Swiss group would bring its loss making Radiocom subsidiary.

SMH bearers shed SFr31 to SFr950 ahead of news, after the market closed, of a change in shareholder structure.

Swissair, which forecast a group profit for the year rose SFr15 to SFr780: in September the group said only that it expected to break even.

FRANKFURT was quiet as the market waited for the Bundesbank's decision on key interest rates, turnover easing from DM9.9bn to DM9.2bn as the DAX index closed 26.75 higher at 2,137.45.

After hours, with rates unchanged, the Ibis indicated DAX rose another 6.58 to 2,144.03.

At corporate level, the engineer and truckmaker, MAN, rose DM8 to DM385.50 although it said that a further deterioration in its results could not be ruled out next year. Volkswagen rose DM8.50 to DM418.50 after an Frankfurt court turned down an appeal by Adam Opel, GM's German unit, for an injunction to prevent seven former employees from working for VW.

Metallgesellschaft fell DM12.20, or 4 per cent moreto DM293.00. There were stories of executive resignations in the US, where the drop in the oil price has caused the group embarassment, and confirmation of a supervisory board meeting at the parent company today.

FT-SE Actuaries Share Indices

Dec 16							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1406.29	1406.31	1407.84	1406.27	1406.09	1409.08	1406.20	1407.58
FT-SE Eurotrack 200	1481.08	1481.31	1483.37	1484.87	1482.92	1485.58	1484.42	1483.42

	Dec. 15	Dec. 14	Dec. 13	Dec. 10	Dec. 9
FT-SE Eurotrack 100	1405.40	1408.64	1418.03	1416.81	1418.86
FT-SE Eurotrack 200	1475.37	1474.93	1479.80	1479.77	1482.79

Base value 1000 (26/10/90); High/day: 100 - 1409.18; 200 - 1487.14 Low/day: 100 - 1404.98 200 - 1480.20.

MILAN turned easier in the absence of a German rate cut, the real-time Mibtel index finishing 87, or 0.8 per cent lower at 10,464. The market was also depressed post-privatisation profit-taking in Credito Italiano, which fell L86 to L2,237 in the day's highest volume of 26.2m shares.

Ferruzzi, which launches its L2,480bn capital increase on Tuesday fell L3,264 or 10.7 per cent, to L27,192 as investors switched to the savings shares, which rose L46.10 or 11 per cent to L465.5. Holders of the savings issues will have the same buying rights for the second and third tranches of the capital increase as holders of the ordinary stock.

Alitalia marked its debut on the screen based trading system with a L36 or 5.1 per cent rise to L746 amid reports of a planned restructuring.

STOCKHOLM's Affärsvärlden General index closed virtually unchanged, easing just 0.9 to 1,361.0; but the SX 16 index, which tracks the 16 most active issues, dropped 0.46 per cent to 1426.35, due mainly to continued losses for Ericsson, hit by large waves of selling over the session.

Ericsson B, a US favourite earlier this year when it hit a high of SKr477, dropped another SKr14, or 4.2 per cent to SKr316 with international investors heavy net sellers and little or no domestic buying interest to cushion the fall; dealers said that the fall accelerated in the last hour of trading, after the opening of US markets. Volume remained heavy, rising from SKr1.58bn to SKr1.77bn. Ericsson was the most active stock, accounting for SKr350m of that.

PARIS fell slightly, dealers saying that investors were closing their positions before the year-end. The CAC-40 index fell 2.37 to 2,160.26, turnover dropping from FFr5.67bn to some FFr4.2bn.

Thomson-CSF, up FFr2 on Wednesday, rose another FFr1.80 to FFr162.80. Its chairman said that the company should be able to maintain profits in spite of an expected fall in defence electronics activity.

Rhône-Poulenc fell another FFr2.30 to FFr141.40. Goldman Sachs rated its Rorer healthcare subsidiary as a poetntial underperformer in the US market, and there was further weakness yesterday in Institut Merieux, its partner in a delayed merger, which fell another FFr42 to FFr2,055.

MADRID's cash market followed higher futures prices, the general index rising 2.44 to 307.51.

Iberdrola rose Pta21 to Pta948 after Standard & Poors said that it was considering a lift in the utility's long term debt rating.

AMSTERDAM climbed 1.5 per cent amid short covering and a lack of sellers. Elsevier rose Fl 2.80 to Fl 165 after news that it had taken a stake in an Italian publisher.

WARSAW hit its third consecutive high this week, the WIG index rising 263, or 2.5 per cent to 10,677 in turnover of 1,100bn zloty.

Written and edited by William Cochrane and Michael Morgan.

ASIA PACIFIC

Nikkei advances 1.7% as region sets further records

Tokyo

The Japanese government's decision to extend the current parliamentary session by 45 days encouraged investors, and the Nikkei average advanced 1.7 per cent on buying by arbitrageurs and foreign investors, *writes Emiko Terazono in Tokyo.*

The 225-issue index rose 300.13 to 17,789.28, while the Topix index of all first section stocks put on 21.86, or 1.5 per cent, at 1,474.21.

The Nikkei opened at the day's low of 17,514.35 and rose to a high of 17,911.99 during the morning session. Overnight strength on the Chicago futures market spurred buying on the Osaka exchange, which in turn prompted arbitrage buying. Overseas investors were also seen purchasing export-related stocks. However, profit-taking by institutional investors prevented the index from rising past 18,000.

Volume totalled 338.4m shares, against 237m. Advances overwhelmed declines by 963 to 100, with 105 issues unchanged. In London the ISE/Nikkei 50 index added 3.67 at 1,216.16.

Late on Wednesday night, the seven-party coalition, which has a slim majority in the lower house, forced a vote to extend the parliamentary session. The supplementary bill, which incorporates a large amount of the fiscal package announced last September, was subsequently passed.

Investors who had been inactive due to worries over political turmoil came back as buyers. Foreign investors were seen in pursuit of automobile stocks, Nissan Motor climbing by Y13 to Y730 and Honda Motor by Y40 to Y1,550.

Electronics issues continued to rise. Sony moved ahead Y70 to a year's high of Y5,500, while Matsushita Electric Industrial advanced Y50 to Y1,520 and Aiwa Y50 to Y1,880.

Nippon Telegraph and Telephone added Y13,000 at Y761,000, posting its sixth consecutive gain, and East Japan Railway ended Y19,000 higher at Y438,000.

Bank shares, which have been weak recently on index-linked selling, gained ground. Industrial Bank of Japan rose Y50 to Y2,900 and Dai-Ichi Kangyo Bank Y10 to Y1,810.

However, profit-taking depressed regional banks, with Musashino Bank falling Y400 to Y6,000 and Aichi Bank Y100 to Y10,300.

In Osaka, the OSE average rose 441.03 to 19,666.20 in volume of 59.9m shares. Konami, a electronic game maker, moved forward Y320 to Y3,700.

Roundup

Record-setting performances featured again in many of the markets around the Pacific Basin.

Bombay remained closed for the third day because of the brokers' boycott in protest at the ban on carry forward deals.

HONG KONG resumed its advance after the two-day consolidation and the Hang Seng Index rose by 394.40, or 4 per cent, to a record 10,339.66.

The index also hit an all-time intraday high of 10,353 in late trading as foreign institutions concentrated on domestic factors such as the better than expected results from Wednesday's land auction, and overseas prospects, as reasons to resume buying blue chips.

Dao Heng Bank Group's surge contributed much to the buoyant sentiment. The bank, on its Hong Kong debut, was up to HK\$36.75 from its HK\$21.70 offer price, after touching HK\$38.

SINGAPORE finished at a high, although profit-taking amid talk of brokers reimposing tighter trading conditions dampened speculative trade in the afternoon.

The Straits Times Industrial index was finally 14.75 stronger at 2,285.99, after setting an intraday peak of 2,294.50.

TAIWAN overcame bouts of profit-taking to remain at a 22-month high in hectic trade, extending a rally that has taken the market up 28 per cent since the ruling Nationalist Party's election victory on November 27.

The index gained 170.07, or 3.3 per cent, at 5,331.87 in turnover of T\$100.43bn, against Wednesday's T\$129.65bn.

KARACHI closed at another new high, the KSE 100-share index climbing 31.81 to 1,987.72 as Ms Benazir Bhutto, the prime minister, pledged to improve credit facilities for textile exporters.

SEOUL disregarded South Korea's change of prime minister and closed at a year's high on demand for blue chips.

The composite index moved up 4.86 to 870.72, surpassing the previous closing high of 866.88 on December 11.

JAKARTA posted a record close, the market index adding 9.53 at 553.36 in active trading as local investors bought selected stocks heavily.

NEW ZEALAND finished firmly, with some end-of-year book-squaring seen, and the NZSE-40 capital index put on 9.92 at 2,099.22.

Fletcher appreciated 10 cents to NZ\$3.43 as speculation that there would be a pre-Christmas placement by the government of its 6.7 per cent holding looked less likely.

MANILA looked ahead to the prospects for 1994, decided the omens were good, and the composite index rose 47.14 to a high of 2,614.97.

KUALA LUMPUR was easier on profit-taking, sentiment soured by talk of restrictions on contra trading. The composite index lost 3.50 at 1,112.59.

BANGKOK saw a round of profit-taking during the late afternoon when the SET index failed to break through the key 1,550-point level. The index finished 6.40 down at 1,512.66, having turned back from a day's high of 1,547.96.

Spain and Italy lead turnover gains

By William Cochrane

November was a remarkably firm month for European bourse volume, says Mr James Cornish of NatWest Securities, which produces the figures.

After a drop of 10.1 per cent in September from the August level, and a compensating gain of 10.1 per cent in October, Europe's eight biggest markets turned over 2.9 per cent more in November than in the month before.

This happened in spite of a 1.5 per cent fall in the FT-Actuaries Europe index for the month, says Mr Cornish, as markets consolidated following October's steep increase, with only Brussels and Zurich out of the eight showing a rise on the month in share price terms.

The UK, with an economy further on its way out of recession, had a good month with a turnover gain of 6.7 per cent, up 5.2 per cent on a "very respectable" three month average, animated by budget hopes. The London market weighs heavily in the overall figures but, even excluding it, the continental seven still show a turnover gain of 0.9 per cent for the period.

In fact, the biggest increases in volume last month came from the two markets which fell furthest: Spain, down by just under 5 per cent, and Milan, down 6 per cent. To Mr Cornish, this suggests an active European equity market with institutions keen to buy as well as sell.

Institutional funds have big profits on their continental equity portfolios this year, so they can be uninhibited about selling. In 1993, when equity markets were far less comfortable, falls in share prices frequently reflected market makers marking them down, while the institutions sat on their hands.

Spain chalked up a 33 per cent rise in November turnover, up 47 per cent on the average of the previous three months, as share prices went on the slide. The Madrid bourse was disappointed in its hopes of an early cut in interest rates, where the cut did not come until December 3, and there was also a peak in volume ahead of a futures expiry. Mr Cornish notes that volumes on Seaq International, the London screen-based trading system, almost doubled for Spain on the month, also to a record high.

In Italy, turnover showed a gain of nearly 12 per cent on the month, but the figure was still down by over 14 per cent from the average of the previous quarter, reflecting a further fall in share prices in November as political nervousness fed on the collapse of the centre in the first round of the local elections.

The Netherlands saw turnover rise 8.4 per cent to a new high as share prices showed some resistance to profit-taking, but the markets where share prices actually rose on the month did less well, the Swiss with a turnover gain of 4.6 per cent (albeit to a new record) and the Belgians with one of just 0.7 per cent.

Germany and France both did lower business on the month, but they were up by 3.1 per cent and 1.8 per cent respectively on very high averages for August/October.

There seemed to be a pattern within November, says Mr Cornish. At the beginning of the month, there was a sell-off in the US bond market following strong US employment figures for October. The thought that American money would race back into the domestic fixed interest market after its recent adventures abroad led to equity sales in Europe and elsewhere.

Later in the month those fears subsided, and were replaced by a run of strength which ran on until late last week, giving volumes a good start to December.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Aug 1993	Sep 1993	Oct 1993	Nov 1993	US \$bn
Belgium	84.52	86.99	77.87	78.39	2.16
France	176.99	184.37	201.93	191.05	32.20
Germany	184.40	150.42	183.24	177.99	103.72
Italy	47,394	44,009.6	31,410	35,092.8	20.58
Netherlands	23.60	18.90	25.10	27.20	14.14
Spain	959.64	825.61	1,042.89	1,384.6	9.82
Switzerland	24.50	19.80	28.30	29.60	19.74
UK	50.90	49.82	49.32	52.61	78.01

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 15 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY DECEMBER 14 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	157.42	-0.7	157.32	109.11	140.44	155.22	-0.9	3.32	158.47	157.94	109.53	141.17	156.57	162.63	117.39	121.04
Austria (17)	178.08	-1.1	177.97	123.43	158.87	158.58	-0.9	1.01	180.06	179.34	124.46	160.40	159.98	184.47	131.16	139.41
Belgium (42)	159.69	-0.3	159.59	110.67	142.46	140.98	-0.1	4.08	160.10	159.48	110.66	142.62	141.15	161.29	131.19	135.72
Canada (107)	132.35	-0.4	132.27	91.73	118.07	127.84	-0.4	2.62	132.93	132.41	91.88	118.41	128.31	135.71	111.41	113.74
Denmark (32)	234.40	-0.6	234.26	162.47	209.12	214.56	-0.3	1.06	235.84	234.90	163.02	210.10	216.23	241.64	185.11	201.97
Finland (23)	116.85	-1.9	116.78	80.99	104.25	142.34	-1.2	0.73	119.06	118.59	82.30	106.07	144.00	128.98	65.50	73.90
France (98)	168.66	+0.2	168.56	116.90	150.48	155.10	+0.2	3.00	168.38	167.71	116.38	149.99	154.84	173.05	142.72	144.42
Germany (60)	133.38	-1.9	133.30	92.46	118.99	118.99	-1.7	1.74	135.94	135.40	93.97	121.10	121.10	138.36	101.59	103.77
Hong Kong (55)	407.51	-0.8	407.26	282.45	363.58	404.11	-0.8	2.70	410.81	409.18	283.95	365.96	407.38	418.92	216.82	217.53
Ireland (14)	180.13	-0.2	180.02	124.85	160.70	179.88	+0.0	3.15	180.58	179.86	124.82	160.87	179.88	180.58	129.28	141.51
Italy (70)	68.29	+2.0	68.25	47.33	60.92	86.35	+2.1	1.94	66.94	66.68	46.27	59.63	84.54	78.93	53.78	61.04
Japan (469)	133.60	-0.2	133.52	92.60	119.21	92.60	+0.1	0.88	133.87	133.34	92.54	119.26	92.54	166.91	100.75	107.39
Malaysia (69)	552.47	+2.2	552.13	382.91	492.87	542.57	+2.3	1.30	540.55	538.41	373.62	481.53	530.56	552.47	251.66	263.46
Mexico (19)	2198.09	-1.6	2196.74	1523.53	1961.01	7464.56	-1.8	0.66	2232.54	2223.87	1543.17	1988.85	7603.53	2248.30	1410.30	1599.49
Netherland (26)	191.74	-0.2	191.62	132.90	171.06	168.16	-0.1	3.15	192.07	191.30	132.76	171.11	168.27	197.07	150.39	155.37
New Zealand (14)	63.99	+0.1	63.95	44.36	57.09	60.98	-0.1	3.84	63.94	63.69	44.20	56.97	61.07	68.38	40.58	42.22
Norway (23)	168.11	-1.1	168.01	116.52	149.98	170.11	-0.9	1.50	170.05	169.38	117.55	151.50	171.73	185.10	137.71	145.10
Singapore (39)	342.96	+0.1	342.75	237.71	305.97	251.65	+0.1	1.27	342.51	341.15	236.75	305.12	251.59	342.96	207.04	202.30
South Africa (60)	244.26	+1.7	244.11	169.29	217.91	237.17	+0.8	2.31	240.09	239.13	165.95	213.87	235.35	244.26	144.72	147.16
Spain (42)	135.26	-0.2	136.17	93.75	120.67	143.81	+0.2	4.16	135.56	135.02	93.70	120.76	143.57	145.24	115.22	121.45
Sweden (36)	187.06	+1.0	186.94	129.66	166.89	233.72	+0.9	1.49	185.22	184.48	128.03	165.01	231.56	208.92	149.70	162.37
Switzerland (50)	155.93	-0.6	155.84	108.09	139.13	141.67	-0.6	1.53	156.89	156.26	108.45	139.78	142.54	157.57	108.91	114.58
United Kingdom (215)	196.93	+0.5	196.81	136.48	175.67	196.81	+0.9	3.65	195.89	195.12	135.39	174.49	195.12	199.05	162.00	172.05
USA (518)	188.05	-0.3	187.93	130.35	167.77	188.05	-0.3	2.76	188.62	187.87	130.38	168.04	188.62	191.56	175.38	176.19
Europe (748)	163.16	+0.0	163.06	113.09	145.57	157.74	+0.2	2.88	163.22	162.57	112.82	145.41	157.46	165.22	138.92	135.99
Nordic (114)	179.95	+0.1	179.84	124.73	160.54	192.64	+0.2	1.29	179.80	179.09	124.29	160.18	192.21	194.54	142.13	160.72
Pacific Basin (715)	145.16	-0.2	145.08	100.62	129.51	104.18	+0.0	1.16	145.44	144.86	100.53	129.56	104.13	168.80	105.88	111.53
Euro-Pacific (1463)	152.51	-0.1	152.42	105.70	136.05	124.78	+0.1	1.92	152.69	152.09	105.54	136.02	124.67	162.88	117.26	121.42
North America (625)	184.58	-0.3	184.46	127.95	164.70	183.92	-0.3	2.75	185.14	184.41	127.99	164.96	184.49	187.68	171.51	172.32
Europe Ex. UK (533)	142.03	-0.4	141.95	98.46	126.74	135.00	-0.3	2.37	142.60	142.04	98.58	127.06	135.40	144.56	112.51	114.50
Pacific Ex. Japan (246)	255.68	-0.1	255.52	177.24	228.12	235.81	-0.2	2.51	256.95	254.93	176.94	228.03	236.19	258.19	152.70	152.23
World Ex. US (1649)	154.30	-0.1	154.20	106.95	137.66	127.87	+0.1	1.93	154.48	153.86	106.79	137.62	127.79	162.89	118.51	122.36
World Ex. UK (1952)	161.49	-0.3	161.39	111.93	144.08	141.77	-0.2	2.09	161.92	161.28	111.93	144.26	142.03	168.66	134.22	138.47
World Ex. So. Af. (2107)	164.11	-0.2	164.01	113.76	146.42	145.79	-0.1	2.24	164.45	163.80	113.68	146.51	145.92	170.46	137.29	139.62
World Ex. Japan (1698)	182.46	-0.2	182.35	126.48	162.80	178.84	-0.1	2.75	182.79	182.08	126.36	162.88	179.07	183.90	157.47	157.88
The World Index (2167)	164.58	-0.2	164.47	114.07	146.84	146.53	-0.1	2.25	164.88	164.23	113.88	146.90	148.65	170.68	137.32	139.56

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Constituent change with effect 17/12/93: Televisa CPO shares will replace Televisa 'L' shares (Mexico). Latest prices were unavailable for this edition.

This announcement appears as a matter of record only

Henderson Investment Limited

International Placement

HK\$ 2,000,000,000

291 million shares at HK\$ 6.90

Underwritten and placed by

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Shenzhen, Shanghai, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan, Thailand

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